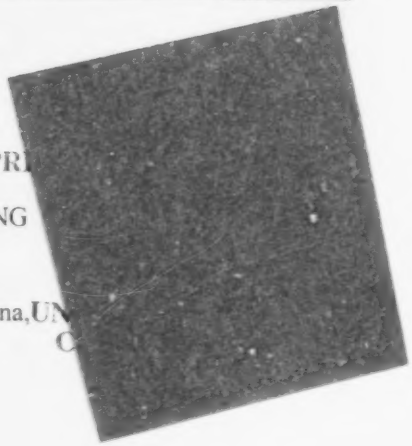
Distr.
GENERAL

IDB.18/SR.1
23 September 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board



Eighteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 12 September 1997, at 10 a.m.

President: Mr. POSTA (Hungary)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the eighteenth session	1
-	Election of officers	2 - 3
2	Adoption of the agenda for the eighteenth session	4 - 6
3	Recommendation of a candidate for the post of Director-General	7 - 9

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V.97 26672 (E) (a:\1997\pmo 9)

Distr.: 26 September 1997

The meeting was called to order at 10.15 a.m.

OPENING OF THE EIGHTEENTH SESSION

1. **The PRESIDENT** declared open the eighteenth session of the Industrial Development Board.

ELECTION OF OFFICERS

2. **The PRESIDENT** announced that Mr. Bøjer (Denmark) would be unable to fulfil his functions as Vice-President because he had left Vienna for another posting, so that a new officer would have to be elected, with due regard to geographical distribution. As Group B had nominated Mr. Wølk (Denmark) to serve as Vice-President, he invited the Board to consider that candidature.

3. *Mr. Wølk (Denmark) was elected by acclamation*

ADOPTION OF THE AGENDA FOR THE EIGHTEENTH SESSION (IDB.18/1/Rev.1, and Add.1)

4. **The PRESIDENT** announced that a new item 7 entitled "International Centre for Science and High Technology" appeared in the revised provisional agenda.

5. It had been decided that provisional agenda items 1 to 3 and the adoption of the report would be considered during the first segment of the current session and that the remaining items would be considered at the resumed session in November.

6. *The provisional agenda (IDB.18/1/Rev.1) was adopted.*

RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL (IDB.18/6 and Add.1, IDB.18/7)

7. **The PRESIDENT** announced that he had received the nominations of five candidates, but that one candidature, that of Mr. Rwendeire (Uganda), had been withdrawn. He would give Mr. Rwendeire the opportunity to make a statement.

8. **Mr. RWENDEIRE** (Uganda) said that the Board had been informed at its seventeenth session that the Organization of African Unity supported the candidature of Ms. King-Akerele. As the delegation of Japan had stated that it would not support a candidate who had had any association with UNIDO, and as Ms. King-Akerele had been a UNIDO staff member, his Government had put his name forward so that more Africans could compete for the post. His Government had hoped that the OAU would reconsider its position, since its decision had been taken before the Japanese statement was made. However, the OAU had not changed its mind, so that his candidature had been withdrawn.

9. He thanked those who had supported him and expressed his belief in the need for a new framework of co-operation based on the realization of a common destiny.

The meeting rose at 10.30 a.m.

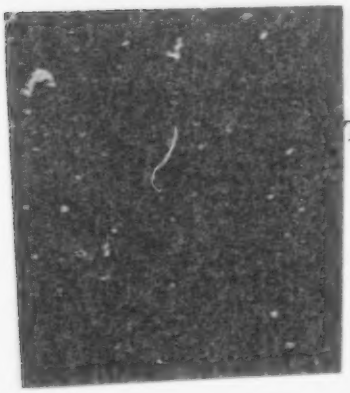
Distr.
GENERAL

IDB.18/SR.2
23 September 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board



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Eighteenth session

SUMMARY RECORD OF THE 2nd MEETING*

Held at the Vienna International Centre, Vienna,
on Friday, 12 September 1997, at 3 p.m.

President: Mr. POSTA (Hungary)

CONTENTS

Agenda item		*Paragraphs*
3	Recommendation of a candidate for the post of Director-General *(continued)*	1 - 12
8	Adoption of the report of the first segment of the eighteenth session	13 - 14
9	Suspension of the session	15

* No summary records were issued for the second part (private) of the 1st meeting or for the first part (private) of the 2nd meeting.

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V.97 26678 (E) (a:1997:pmc)

Distr.: 26 September 1997

The public meeting was called to order at 5.10 p.m.

RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL *(continued)* (IDB.18/6 and Add.1, IDB.18/7, IDB.18/L.2, IDB.18/L.3

1. **The PRESIDENT** invited the Board to consider the following draft decision (IDB.18/L.2):

"The Industrial Development Board, acting in accordance with Article 11.2 of the Constitution, decides to recommend to the General Conference the appointment of Mr. Carlos Alfredo Magariños as Director-General of UNIDO for a period of four years from 8 December 1997 or until the Director-General appointed at the ninth regular session of the General Conference assumes office, whichever is later".

2. *The draft decision was adopted.*

3. **The PRESIDENT** offered his congratulations to the successful candidate and submitted to the Board the draft contract establishing the terms and conditions of appointment of the Director-General, contained in the annex to document IDB.18/7 and accompanying draft resolution IDB.18/L.3.

4. **Mr. BORCHARD** (Germany) said that, as his authorities were still considering particular aspects of the contract, the matter should not be dealt with at the current session but at the next opportunity, namely, at the forthcoming session of the General Conference.

5. After a short procedural discussion in which **Mr. KHALIL** (Tunisia), **Mr. BORCHARD** (Germany) and **Mr. MAYERHOFER-GRÜNBÜHEL** (Austria) participated, **the PRESIDENT** suggested that the Board might wish to discuss the terms and conditions of the Director-General's contract at the resumed current session of the Board due to take place in November 1997.

6. *It was so agreed.*

7. **Mr. LI CHANGHE** (China), **Mr. CELSO de OURO-PRETO** (Brazil), speaking on behalf of GRULAC and the Group of 77, **Mr. KHALIL** (Tunisia), speaking on behalf of the African countries, **Mr. AMIRKHIZI** (Islamic Republic of Iran), speaking on behalf of the Asian Group, **Mr. MOLITOR** (Observer for Luxembourg), speaking on behalf of the European Union Presidency, **Mr. AMROHI** (India), **Mr. RWENDEIRE** (Uganda), **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria), **Mr. AL-HUSAINI** (Saudi Arabia), **Mr. SOKOLOV** (Russian Federation), **Mr. IKEDA** (Japan), **Mr. MANNO** (Italy), **Mr. LEE** (Republic of Korea), **Mr. HOBEICA** (Lebanon), **Mr. BREITER** (Switzerland), **Mr. BADESCU** (Romania), **Mr. ORTIZ GARCIA** (Spain), **Mr. BOUKITA** (Morocco), **Mr. DASQUE** (France), **Mr. FATUNLA** (Nigeria), **Mr. HEZZAH** (Observer for the League of Arab States), **Mr. HALIM MOHAMED** (Sudan) and **Mr. UMER** (Pakistan) congratulated Mr. Magariños on his election as the Board's candidate for Director-General, expressing their confidence in his ability to deal successfully with the challenges that lay ahead of UNIDO as it continued to steer its course through a difficult period. Mr. Magariños had been elected on the basis of his professional qualifications and personal qualities rather than his national or regional affiliation and had won support transcending the boundaries of geographical groups. He would thus be a Director-General representing the entire Organization with all its different interests and objectives, his youth and dynamism lending it renewed vigour at a critical point in its history.

8. **Mr. KAEZURBA** (Poland) conveyed his delegation's congratulations to Mr. Magariños and thanked the Board for its support for Mr. Rosati, which had also transcended national and regional boundaries. His delegation looked forward to cooperating closely with the new Director-General in striving to achieve the Organization's future goals.

9. **Mr. PESCI BOUREL** (Argentina) said that the honour bestowed on his country through the clear majority won by its candidate brought with it the responsibility to add its own efforts to the enthusiasm and exceptional qualities of Mr. Magariños, who wished to convey his gratitude to the Board for its support and his commitment to institute the necessary reforms to promote UNIDO as an efficient, modern and vigorous organization and as an instrument for progress. The international community's expectations and aspirations could be fulfilled, however, only through the determined efforts of all States to strengthen the Organization and provide it with clear guidance.

10. **Mr. DE MARIA Y CAMPOS** (Director-General) offered his congratulations to Mr. Magariños, whose election was a source of satisfaction to him personally, both as a Latin American and as a national of a developing country. It was vital that Latin America continue to demonstrate its major role in the world through the United Nations and that the industrialization

of the developing countries and economies in transition proceed successfully.

11. While the task facing Mr. Magariños was no easy one, he certainly possessed the necessary capabilities, experience—despite his youth—and dynamism to move the Organization forward and to fulfil its mandate, a task for which he would need not only verbal and moral but also practical support in the shape of an adequate programme and assured financial resources based on the regular budget and technical cooperation funds.

12. For his part, he would endeavour to provide a smooth transition for Mr. Magariños, thereby ensuring that the achievements of the reform to date constituted an appropriate platform for the new stage of UNIDO's consolidation. For that purpose he expressed his readiness to meet Mr. Magariños from time to time until the next General Conference session.

ADOPTION OF THE REPORT OF THE FIRST SEGMENT OF THE EIGHTEENTH SESSION

13. **The PRESIDENT** proposed that the Rapporteur be entrusted with preparing the report on the first segment of the current session.

14. *It was so decided.*

SUSPENSION OF THE SESSION

15. **The PRESIDENT** declared the session suspended.

The meeting rose at 6.30 p.m.

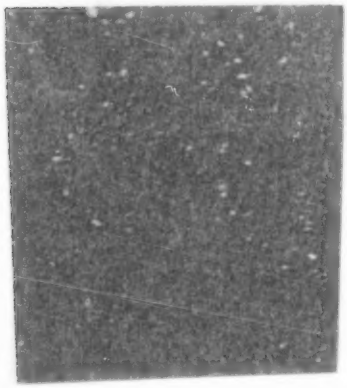
Distr.
GENERAL

IDB.18/SR.3
10 December 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board



Resumed eighteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 17 November 1997, at 10 a.m.

President: Mr. POSTA (Hungary)

CONTENTS

Agenda item		*Paragraphs*
-	Opening of the resumed eighteenth session	1
-	Organizational matters	2 - 4
-	Statement by the Director-General	5 - 20
4	Report of the Programme and Budget Committee	21 -58
	(a) Scale of assessments	
	(b) Interim financial performance report and programme performance report for the biennium 1996-1997	
	(c) Programme and budgets, 1998-1999	
	(d) Financial regulations and financial rules	
	(e) Working Capital Fund	
	(f) Appointment of an External Auditor	
	(g) Financial situation of UNIDO	
	(h) Industrial Development Fund and other voluntary contributions	

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V.97-29038 (E) (a:1997 pmo 11)

Distr.: 12 December 1997

The meeting was to called order at 10.35 a.m.

OPENING OF THE RESUMED EIGHTEENTH SESSION

1. **The PRESIDENT** declared open the resumed eighteenth session of the Industrial Development Board. The agenda for the eighteenth session (IDB.18/1/Rev.1) had already been adopted. Agenda item 3, "Recommendation of a candidate for the post of Director-General", had been taken up at the first part of the session but a recommendation still had to be adopted regarding the draft contract for the appointment of the new Director-General.

ORGANIZATIONAL MATTERS

2. **The PRESIDENT** proposed that the Board decide, as at previous sessions, to suspend the rule of procedure on the quorum (rule 32) except when substantive decisions were to be taken (see decision IDB.17/Dec.1 in document GC.7/5). To suspend rule 32, the Board would have to waive, as it had in the past, the requirement in rule 80 for 24 hours' notice of a proposal for such suspension. If he heard no objection, he would assume that the Board agreed to that procedure.

3. *It was so decided.*

4. **The PRESIDENT** said that, as in the past, informal in-session consultations would be held for the consideration of draft decisions before they were submitted to the plenary.

STATEMENT BY THE DIRECTOR-GENERAL

5. **Mr. DE MARIA Y CAMPOS** (Director-General) recalled that, at the first part of the eighteenth session, held in September 1997, only one agenda item had been considered, namely the recommendation of a candidate for the post of Director-General. The agenda now before the Board centred around the report of the Programme and Budget Committee (IDB.18/2 and Add.1) and included a number of critically important financial issues.

6. The most important issue concerned the outcome of the resumed thirteenth session of the PBC and in particular the programme and budgets for the 1998-1999 biennium. The process leading to that budget had been unprecedented in that it had involved a protracted series of negotiations among Member States and an intense scrutiny of all UNIDO's operations, both substantive and administrative. That process would not have succeeded without the clear determination of Member States to ensure the survival of a relevant UNIDO, the constructive spirit of cooperation that had prevailed even in critical phases of the negotiation process, and the atmosphere of trust and confidence that had characterized the dialogue between Member States and the Secretariat. Tremendous efforts had been made on all sides and sometimes difficult compromises had been reached on the overall volume and the programme content of the new budget.

7. The time had now come to look forward to the tasks facing UNIDO in the next biennium and to put the resources at UNIDO's disposal to good use. To that end, it was essential to ensure the commitment of Member States to refrain from further downsizing and budget reductions in the future. He wished to mention in that connection a recent United Kingdom document entitled "Eliminating world poverty—a challenge for the 21st century"; that paper clearly re-established the United Kingdom's role in international development matters and urged the world community to renew its commitment in the fight against poverty. UNIDO's new role would be vital in meeting that global challenge, provided that Member States were ready to make the necessary funds available.

8. He therefore trusted that the Board would endorse the PBC's conclusion and recommend to the General Conference the adoption of the new budget by consensus. The revised budget proposal contained in document IDB.18/15/6 had been amended in PBC conclusion 97/10 (see document IDB.18/2/Add.1, para. 11), that had resulted in a reduction of slightly over 20 per cent as compared with the contingency plans for 1996-1997, and of 30.9 per cent as compared with the approved regular budget for that period. The proposals approved by the PBC were based on the Business Plan on the Future Role and Functions of UNIDO and on the outcome of consultations in an ad hoc open-ended working group on issues related to field representation and further opportunities for administrative savings. The conceptual guidance provided by that working group had been fully incorporated and would enable 5 UNIDO subregional and 25 UNIDO country offices to be established by redeploying substantial resources from Headquarters to field offices and by further reductions in administrative budget allocations. Thus, while in 1996-1997 only 40 per cent of regional programme management resources had been allocated to the field and some 60 per cent to Headquarters activities, the 1998-1999 proposed budgets allocated 70 per cent of those resources to the field and barely 30 per cent to the regional bureau at Headquarters. That change would be accompanied by clearly defined functions to be carried out by field offices and by enhanced delegation of authority vis-à-vis Headquarters.

9. The new budget also reflected a continued downward trend in resources allocated to administrative tasks, closely following the Board's guidelines for achieving the maximum possible reduction in administrative costs. The proposed cuts in administrative and other support areas would require UNIDO staff to work at the limit of their already stretched capacities, and clearly implied risks for continued operational effectiveness and efficiency. In the new budget proposal, the share of Administration (excluding Buildings Management) in the total budget had been reduced to 15 per cent, which was even lower than envisaged in the earlier 30 per cent budget reduction scenario; it was far lower than in comparable organizations and lower than the level set by the Secretary-General for the United Nations as a whole.

10. Substantial budget reductions, as were required for the 1998-1999 period, could not be achieved without cost. More than 120 staff would have to leave the Organization, and the Board would have to consider the human implications for the Organization. A proposal for addressing the personnel and financial implications of the programme and budget for 1998-1999 would be before the Board later. Under the chairmanship of Ambassador Khalil of Tunisia, a working group composed of representatives of Member States had undertaken a review of all aspects of that complex issue and its findings and recommendations would have to be considered by the Board and by the resumed session of the PBC. Failure to provide the financial resources to ensure timely implementation of the staff separation programme would have serious implications for the Organization, undermining implementation of the programme and budget and creating a serious cash crisis in 1998. The Organization did not have the budgetary authority or cash resources to meet the staff salary costs that would be incurred during a protracted separation period. To avoid that situation, a financial package supporting a timely voluntary staff separation programme was essential and must be adopted at the present session if it was to be implemented with effect from 1 January 1998.

11. In October 1997, UNIDO had been on the verge of a very serious financial crisis caused by partial payment, delayed payment or non-payment of assessed contributions by some Member States, and a number of emergency steps had been required to overcome the crisis, including deferring the implementation of various budgeted activities. Fortunately the receipt of full payment during that month from Japan, Australia, Greece, Haiti and Portugal and of partial payment from Saudi Arabia and Zambia had temporarily averted the crisis, but had not removed the threat of a cash flow crisis in the near future. If significant contributions were not received before the end of December 1997, the Organization risked defaulting on financial commitments for that month and for January 1998.

12. In view of the uncertain pattern of payment by Member States, UNIDO required a mechanism to address short-term financial shortfalls. As it would not be practical or cost-effective to convene special sessions of the policy-making organs for that purpose, a number of specific proposals had been put to the Board, and it was to be hoped that the working group on that issue would succeed in developing a package of effective measures.

13. He believed that a more radical approach was nevertheless needed to ensure timely payment of assessed contributions to UNIDO and other organizations. That ultimately required, in his view, incorporating interest rate considerations into payment criteria and establishing a system of incentives and penalties. Reform of the United Nations system should be extended to governing bodies and the conduct of Member States in regard to payments to the organizations.

14. The Board also had before it, in response to its request, a report on options available to UNIDO for the recovery of unpaid assessed contributions from the Government of the United States of America, amounting to some US$ 61 million, almost the equivalent of UNIDO's entire annual regular budget. Despite numerous contacts with the United States authorities, including letters to the Secretary of State reminding the Government of its legal obligations to UNIDO and soliciting an early settlement of its dues, and despite assurances that the United States authorities recognized those obligations, no action had been forthcoming. Member States were therefore urged to take concrete action on at least some of the options. The recent decision by the United States Congress to postpone payment to the United Nations yet again made the situation even more urgent.

15. One of the options was to establish a contact group of Member States as soon as possible to engage in a political dialogue with the United States authorities with a view to recovering the arrears. The group could also discuss with the United States Government the issue of tax reimbursement for UNIDO staff members of United States nationality, which remained unsettled despite the steps already taken.

16. A supplementary agenda item, agenda item 7, had been proposed by Italy for the consideration of the future of the International Centre for Science and High Technology (ICS) in Trieste and possibly closer ties with UNESCO programmes. The views of the Italian Government had been transmitted to the Board in document IDB.18/16/Add.1. The institutional arrangements for the ICS as a UNIDO institution had been

approved in November 1991 and formally ratified by the Italian Parliament in April 1996. Funding for the ICS had been ensured through legislation enacted by the Italian Parliament. The yearly ICS funding was in the order of US$ 4.5 million. The first payment by the Italian authorities had been made in July 1996 and the additional payment had arrived recently.

17. Throughout the period concerned, efforts had been made to harmonize the activities of the ICS and UNIDO towards an integrated and coherent programme. There was no inconsistency between the UNIDO Business Plan approved by the Board and the ICS programmes, nor any incompatibility in terms of cooperation with UNESCO. UNIDO and the ICS shared the same vision, namely the strengthening of industrial, scientific and technological capacities, aimed at cleaner and sustainable development. The ICS programme in the past and as envisaged for the coming biennium emphasized institutional capacity-building at the national and sectoral levels, and the technologies addressed by the ICS programme were of proven value for the industrial development of the developing countries and of countries in transition.

18. Activities aimed at promoting cleaner and sustainable development included areas such as bio-remediation and biodegradable plastics, and there was emphasis on interdisciplinary activities to facilitate the management of investment and related technologies in those areas as well as on the institutional strengthening of research and development centres at the national level. Those programmes were being implemented in a large number of developing countries and economies in transition. Some 25 new project proposals had been generated for the new biennium and the number could be expected to increase. Those programmes would continue to be refined in the future in the light of the Business Plan, the needs of developing countries and of countries in transition and the possibilities of cooperation with various international, regional and subregional organizations. Cooperation would be continued and enhanced with research centres in Italy and the Mediterranean region. Considerable synergy had already been created between UNIDO Secretariat programmes and UNIDO/ICS programmes and would be possible with UNESCO programmes. He was confident that a consensual solution would be found at the present session concerning the future of the ICS within the present legal framework.

19. The Board would be taking up a number of other matters contained in the report of the PBC including those relating to the scale of assessments, detailed financial regulations and rules, the appointment of an External Auditor, and the Industrial Development Fund and other voluntary contributions. An issue of particular importance was the role of voluntary contributions for UNIDO. The Organization must have adequate resources if it was to succeed in its reform process and in the vitally important tasks entrusted to it. Voluntary contributions were critically important at the present juncture to sustain the momentum of new initiatives, such as the Alliance for Africa's Industrialization as well as other high-priority thematic programmes, such as the Cleaner Production Centre Programme, which had been developed in direct response to requests from Member States. He therefore appealed to all donor countries to demonstrate their continued commitment to UNIDO not only by approving the programme and budgets for 1998-1999 but also by renewing and increasing their pledges to the IDF or by providing other voluntary contributions towards the technical cooperation programmes of UNIDO for the benefit of developing countries, particularly those in Africa and the least developed countries. In that context, active cooperation between UNIDO and the various non-State actors was important. That topic had been discussed recently in the Administrative Committee on Coordination and would be addressed in greater detail at the forthcoming session of the General Conference. In a constantly changing world it was important that there should be ongoing consultations with other elements of society than State bodies. The work of the International Business Advisory Council of UNIDO had recently gained momentum as a result of its second meeting in Casablanca. Cooperation with non-governmental organizations (NGOs) had been enhanced and a meeting had recently been convened in Senegal on the role of NGOs in private enterprise development. A recent expert group meeting in Vienna had recommended ongoing cooperation with industrial policy bodies in all Member States. In view of recent international events, it was important to ensure that UNIDO constantly reviewed its programmes and fed the information obtained into the decision-making process.

20. Much had already been done during the year to consolidate the reform of UNIDO and the final stages were under way. It was to be hoped that the present session would complete its work in an efficient manner to enable the forthcoming General Conference session to be a complete success.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.18/2 and Add.1):

(a) SCALE OF ASSESSMENTS (IDB.18/13)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (IDB.18/4)

(c) **PROGRAMME AND BUDGETS, 1998-1999** (IDB.18/15/5/Rev.1, IDB.18/15/6)

(d) **FINANCIAL REGULATIONS AND FINANCIAL RULES** (IDB.18/8, IDB.18/12)

(e) **WORKING CAPITAL FUND** (IDB.18/10)

(f) **APPOINTMENT OF AN EXTERNAL AUDITOR** (IDB.18/2)

(g) **FINANCIAL SITUATION OF UNIDO** (IDB.18/3, IDB.18/5, IDB.18/14, IDB.18/20, IDB.18/CRP.2, IDB.18/CRP.3, IDB.18/CRP.4)

(h) **INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** (IDB.18/9)

21. **Mr. DEROY** (Managing Director, Division of Administration), introducing sub-items (a)-(g) of the agenda item, said, with regard to the scale of assessments, that the PBC, in its conclusion 97/5 (see document IDB.18/2, para. 16), recommended the establishment of a scale of assessments for the biennium 1998-1999 based on the scale employed by the United Nations at the time of the seventh General Conference session. The United Nations had not yet completed the preparation of the scale of assessments for the calendar years from 1998 to 2000 and a decision was not expected before the next General Conference session. It was therefore recommended that the Board propose to the General Conference that a scale of assessments for the years 1998-1999 be established on the basis of the scale currently employed by the United Nations but adjusted for the UNIDO membership.

22. Concerning the interim financial performance report and programme performance report, document IDB.18/4 contained the interim financial statements for the first year of the biennium 1996-1997, i.e. to 31 December 1996, and provided a historical record of the Organization's financial performance for 1996, together with information on income and expenditures, assets and liabilities, the status of assessed contributions, a statement of pledges and receipts, a summary of significant accounting policies, and information on UNIDO technical cooperation activities.

23. Sub-item (c) of the agenda item involved two separate but related issues: the programme and budgets for 1998-1999, and the personnel and financial implications of the proposed budget reductions. The crucial issue of the programme and budgets had been addressed by the Director-General in his opening statement, and the PBC, in its conclusion 97/10 (IDB.18/2/Add.1, para. 11), had recommended the Board's adoption of the programme and budgets with some amendments. Concerning the related issue of the personnel and financial implications of the proposed budget reductions, the open-ended working group established in accordance with conclusion 97/11 was expected to report to the PBC at its resumed thirteenth session, scheduled to take place on 19 November 1997, and it was assumed that the Board would take up that issue after its consideration by the PBC.

24. Regarding the financial regulations and financial rules, the PBC, in its conclusion 97/3, recommended certain amendments which would contribute to improving UNIDO's financial administration and reporting requirements. Further changes in the financial regulations and rules would be considered during the forthcoming biennium with a view to providing the Organization with a flexible regulatory framework, responsive to new initiatives and demands.

25. With regard to the Working Capital Fund, it was recommended in PBC conclusion 97/6 that, owing to changes in membership, the level of the Fund for the biennium 1998-1999 be $6,610,000 and that the authorized purposes of the Fund remain the same. Paid advances to the Fund as of June 1997 totalled $6,750,000; the Fund was currently fully depleted.

26. Concerning the appointment of an External Auditor for UNIDO, the General Conference, at its fifth session, had appointed the President of the Federal Court of Audit of Germany as External Auditor for a period of two years as from July 1994, and at its sixth session had decided to extend that appointment until 30 June 1998. The PBC, in its conclusion 97/8, recommended that the External Auditor's appointment be extended for a further two years.

27. On the question of the financial situation of UNIDO, relevant information was contained in documents IDB.18/20, IDB.18/CRP.2 and IDB.18/CRP.3, with updated information provided in document IDB.18/CRP.4 on the status of assessed contributions, advances to the Working Capital Fund, the cash flow analysis and payments made by Member States up to 31 October 1997. The PBC had taken note of the seriousness of the financial situation and recommended that the open-ended discussion group on timely payment of assessed contributions be reactivated in order to find new ways and means of improving that situation (see document IDB.18/2/Add.1, conclusion 97/12).

28. **Mr. IKEDA** (Japan) said that he wished to express his Government's views on certain important issues concerning the report of the Programme and Budget Committee (IDB.18/2 and Add.1). The conclusion reached at the last PBC session demonstrated the spirit of

political compromise shown by Member States in the face of extremely delicate and difficult deliberations. In his delegation's view, the draft budget adopted at that session, with a 20.001 per cent reduction, still left room for further improvement and savings. It had not been fully satisfactory to his Government. However, bearing in mind the special responsibility of Japan as UNIDO's largest contributor, his delegation had voted in favour of the proposed budget in order to rescue the Organization. His delegation wished to commend the spirit of constructive cooperation and dialogue which had emerged during the deliberations at that session, following the long and tough negotiations that had taken place over the past year, and hoped that that spirit would be maintained so that the successful implementation of UNIDO's reform could be achieved in accordance with the Business Plan.

29. Continuous efforts should be pursued by the Secretariat, in cooperation with Member States, to bring about further savings, within the framework of the programme and budgets to be approved at the forthcoming General Conference session, through greater simplification of administrative procedures and outsourcing of non-core activities to the extent possible.

30. Financing the staff separation programme was a very important issue, which called for the Board's careful examination. In the Japanese Government's view, the separation indemnities should be funded first by transferring part of the unutilized balance of appropriations from the biennium 1994-1995, but the staff reduction costs should primarily be funded from the collection of outstanding payments due from a number of current and former Member States. The conscientious Member States, including Japan, which had faithfully honoured their financial obligations should not be burdened by supplementary payments for that purpose. His Government wished to strongly urge those Member States which had not paid their dues to do so without further delay.

31. The arrears of the United States of America, which was no longer a Member of the Organization, posed an extremely serious problem, and the collection of its unpaid contributions was urgently required in order to defuse the financial crisis currently facing UNIDO. While his delegation recognized the need to explore all available options to induce the United States to pay its arrears at the earliest opportunity, those options, including the establishment of a contact group, needed to be carefully examined by Member States in order to determine the most appropriate and effective tool that would produce the desired positive results.

32. **Mr. SANTER** (Observer for Luxembourg), speaking on behalf of the European Union and the associated States of Bulgaria, Cyprus, Hungary, Poland, Romania, Slovakia, Slovenia and the Czech Republic, said that the European Union had taken note of the outcome of the budget discussions at the last PBC session. The budget, adopted after tough negotiations, was a solution that would not satisfy the aspirations of all Member States. However, it had been essential to achieve a result in order to ensure the continuation of the Organization, which should now devote the bulk of its resources to the activities identified in the Business Plan. The new Director-General should have the necessary flexibility to implement the budget, subject to respect for the prerogatives of the Board.

33. On the question of the implementation of the staff separation programme, the European Union wished to restate its view that the solution of the problem was bound up with the payment of arrears. All States which had participated in the reform process should underline their continuing commitment to the Organization by honouring their financial obligations. That was the price to be paid in order to bring about UNIDO's recovery and overcome the difficulties which threatened to jeopardize its achievements to date. While the decision of the General Conference concerning the appropriation of reserves and unutilized balances from the biennium 1994-1995 should not be prejudged, prompt payment of arrears would at least enable UNIDO to envisage resolving the problem through the allocation of those funds to the separation indemnity reserve. Moreover, the payment of all assessed contributions for the current period could generate a residual balance at the end of the period which, subject to approval by Member States, could also be used for that purpose. The European Union was determined to see the structural aspect of the reform process implemented within the shortest possible time and could not accept its deferment through lack of cash resources.

34. The European Union hoped that the staff separation programme to be implemented would ensure the retention within the Organization of the essential skills and expertise to enable it to efficiently fulfil its mandate, as defined in the Business Plan. The Secretariat should endeavour to limit the cost of the programme to the extent possible and scrupulously observe the legal provisions in force.

35. The European Union supported the PBC's recommendation to extend the appointment of the President of the Federal Court of Audit of Germany as External Auditor for a further two years. He had provided the Organization with excellent reports and judicious

proposals which had made it possible to better appreciate its financial situation.

36. The report of the External Auditor (IDB.18/3) emphasized the precarious state of UNIDO's financial situation, which had arisen as a result of non-payment or belated payment of assessed contributions by a large number of Member States. Through the combined effect of the non-payment or late payment of contributions to the regular budget and advances to the Working Capital Fund, the Organization was threatened with insolvency at any moment. The European Union, which was up to date with its assessed contributions and honoured its commitments towards the Organization, therefore appealed again to all Member States to meet their financial obligations quickly, in full and without prior conditions. That applied both to existing Members and to those that had withdrawn from the Organization leaving unpaid arrears. In that connection, the European Union took note of the Director-General's report concerning options for the recovery of arrears from the United States of America (IDB.18/18). However, Member States must be enabled to examine in greater detail the various suggestions contained in that report. Non-payment and late payment of contributions forced the Organization to postpone the financial implementation of the budget and jeopardized its capacity to discharge the mandate entrusted to it. Since all Member States wished to have an efficient and revitalized organization fulfilling the role entrusted to it, they should firmly commit themselves to making available the resources that it needed.

37. He wished to pay tribute to the Chairman for his essential work as head of the intersessional working group, which had greatly contributed to the successful completion of the reform process. While primary responsibility for implementing the reform programme rested with the Director-General, the intersessional working group could continue to play a constructive role in the future by, *inter alia*, assisting the Secretariat in the preparation of performance indicators.

38. The European Union supported the request made by the permanent representative of Italy to have the Trieste International Centre for Science and High Technology placed under the aegis of UNESCO. That would enhance the harmonization of the activities of the Trieste scientific pole. The European Union further appreciated the Italian Government's commitment to UNIDO's remaining fully associated with the activities of the Centre on all issues of mutual interest.

39. **Mr. EL-FEKI** (Egypt) said that the proposed 20.001 per cent reduction in the programme and budget was the maximum acceptable to his delegation. Despite Egypt's reluctance to agree to budget reductions which exceeded the contributions of the State withdrawing from the Organization, it had coordinated its approach with the African Group, the Group of 77 and China, and had joined in the consensus. The present session should give a clear message that no further reductions would be sought. Important activities and services required by Member States should not be curtailed. He hoped that the programme and budget would be adopted by consensus as the developing countries, including Egypt, could make no further concessions. The only logical solution to the present dire financial situation was for all present or former Member States to pay their assessed contributions in full. The unpredictable payment patterns of many Member States hindered proper planning of the Organization's activities, and a continuing cash flow problem could endanger the reform process itself.

40. Non-payment by Member States for two or more years resulted in loss of voting rights in the Organization's policy-making bodies. Such a situation should be avoided. Egypt supported the views of the African Group, the Group of 77 and China on the matters under discussion.

41. **Mr. SOKOLOV** (Russian Federation) said that the present session of the Board permitted a review of the work carried out by Member States and the Secretariat to improve the Organization's effectiveness, prior to the exceptionally important forthcoming session of the General Conference.

42. It would serve the common interests of Member States for UNIDO to maintain its position as an independent and effective organization within the United Nations system promoting industrial progress in developing countries and in countries in transition. His delegation had participated actively in developing the Business Plan and welcomed the broad consensus reached on that delicate matter, taking into account the interests of very different groups of States in the activities of the reformed Organization. Strengthening the universality of the Organization's work had helped to achieve a balance between the interests of donors and recipients. He supported the consensus proposal for the Organization to focus on two main areas. His delegation had no objection to the radical decentralization of UNIDO, with the transfer of many staff from Headquarters to the field, coordination functions being maintained in Vienna. The intersessional working group on the future role and functions of UNIDO should continue its work.

43. His delegation had voted in favour of the recommendation of the PBC on the programme and budgets for 1998-1999, which he hoped would be adopted by consensus, as it fully reflected the provisions of the Business Plan, and also the spirit and letter of the discussions at the September session of the Committee.

The reworked draft clearly showed the new priorities for UNIDO's work, and the main activities had been assigned sufficient, although limited, resources. Administrative and subsidiary expenditures had been reduced as far as possible in favour of substantive activities, and particularly field programmes.

44. The informal working group established to consider all aspects of staff reduction had faced a complex task, in view of the short time available, and the fact that the new organizational structures of UNIDO were not yet clear. The Secretariat should deal equally with all categories of staff, with the programme and budget considerations of the Business Plan to be the main criteria for cuts made. Any other criteria would not be in keeping with the aims of Member States. Incentives for agreed termination should be offered to staff before the phase of compulsory terminations began. It was important to keep implementation costs as low as possible, and perhaps some unused resources from the 1994-1995 budget could be made available for the purpose. Cash for termination indemnities could also be found by effective planning of budget implementation for the coming biennium.

45. Many of the Organization's difficulties were caused by the late payment of assessed contributions by Member States, and he joined in calling for that situation to be corrected. In view of the critical financial position, it was essential for the intersessional open-ended discussion group on timely payment of assessed contributions to continue its work.

46. A relevant issue was that of the non-payment of arrears by the United States. The Director-General's report on that subject contained a number of useful ideas. All States should strictly observe their financial obligations to international organizations. A consensus agreement by the Board on that issue would be the most effective way of supporting the Director-General in his efforts to persuade the United States to pay its arrears.

47. **Mr. LEE** (Republic of Korea) welcomed the compromise reached on the UNIDO reform at the resumed thirteenth session of the PBC. His delegation had supported the programme and budget, as the best possible compromise despite its possible negative impact on the Organization's activities. He hoped it would be accepted at the present session and at the forthcoming General Conference session.

48. A budget plan was worthless unless Member States made their assessed payments on time and in full. The total amount of overdue payments was almost equivalent to the biennial budget of the Organization, and he welcomed the proposal to reactivate the discussion group on timely payment.

49. The existing rules relating to voting rights were not detailed or practical enough to address the problem of non-payment. The principle of reform should cover all aspects of UNIDO, including Member States' payment obligations. It would be extremely inconvenient to have to hold special sessions of the policy-making organs for the approval of loans to make up for slow and non-payment of assessed contributions. Every effort should be made to collect the overdue contributions from the United States, which amounted to $61.3 million. The Secretariat had made some useful proposals.

50. With regard to staff separation, policy criteria for reduction and financing modalities would be a good basis for further consideration of that delicate and difficult issue.

51. He hoped that, with the new programme and budget, UNIDO's serious budgetary problem could be solved so that the Organization could once again advance steadily towards its original goal.

52. **Mr. BREITER** (Switzerland), referring to the interim financial performance report, said that measuring results was extremely difficult in an Organization like UNIDO which had various objectives and a wide variety of activities. However, the introduction of objective performance indicators was crucial, as Member States could not monitor results if they could not measure performance. The indicators should be output-oriented and measure the Organization's efficiency and effectiveness. The working group on the future role and functions of UNIDO (see document IDB.18/17) should work out in collaboration with the Secretariat, a set of feasible performance indicators to become a regular feature of future programme and budget documents. The performance report should also be streamlined to ensure greater clarity.

53. Referring to the programme and budgets for 1998-1999, he said that a new spirit of consensus seemed to be emerging. As the report of the chairman of the informal working group on personnel and financial aspects of staff reduction was still outstanding, the item would have to be taken up again later.

54. With regard to the withdrawal of the United States of America, Switzerland believed that there was a need fo rboth political and legal options to collect the arrears of assessed contributions. The mandate of the proposed contact group of Member States should be further analysed and defined. The International Court of Justice could be asked to give an advisory opinion on the rights of UNIDO and the legal remedies available to it in view of the continued non-fulfilment by the United States of its financial obligations to the Organization. The

Director-General should pursue his contacts with non-governmental organizations and industry groups in the United States in order to enlist public support. Finally, he urged all Members of UNIDO which had not yet done so to pay their financial obligations in full and without any conditions.

55. **Mr. EFFENDI** (Indonesia) believed that the only major problem facing UNIDO was its financial situation, which had become disastrous. Arrears in contributions had reached $117 million in September 1997, and the Organization was under constant pressure. The current session could not fail to be seriously concerned that voting rights in the General Conference had been suspended for 59 out of 169 UNIDO Members.

56. The United States, at the time of its withdrawal, had owed $61.3 million to the Organization, and the Secretariat suggested a number of political and legal options in document IDB.18/18. Taking into account the difference of views between the legislative and executive branches in the United States, Indonesia believed that any legal dispute between the United States and UNIDO should be avoided.

57. Indonesia joined other Member States in urging the swift payment of arrears. The intersessional group on timely payment should revitalize its endeavours to solve that problem, and examine the Secretariat's proposals, taking into consideration the difficult economic and political conditions.

58. The 1998-1999 budget was being considered at a critical stage when a restructured UNIDO was about to function and a smaller organizational structure was about to emerge in accordance with the Business Plan. In view of the cuts already made and the significant budget reductions, any further cuts would be unnecessary. Member States should maintain their commitment to the Organization's objective of assisting developing countries in the process of industrialization.

The meeting rose at 12.25 p.m.

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United Nations Industrial Development Organization

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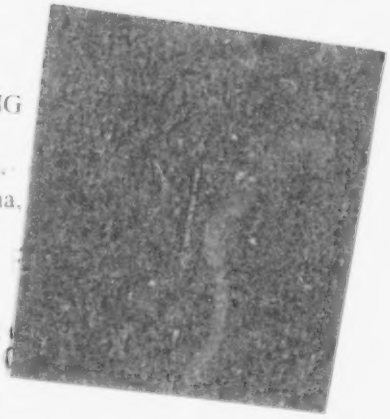
Industrial Development Board

Resumed eighteenth session

SUMMARY RECORD OF THE 4th MEETING



Held at the Vienna International Centre, Vienna,
on Tuesday, 18 November 1997, at 10 a.m.

President: Mr. POSTA (Hungary)

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Distr.: 12 December 1997

The meeting was called to order at 10.30 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.18/2 and Add.1):

(a) SCALE OF ASSESSMENTS (*continued*) (IDB.18/13)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (*continued*) (IDB.18/4)

(c) PROGRAMME AND BUDGETS, 1998-1999 (*continued*) (IDB.18/15/5/Rev.1, IDB.18/15/6)

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(e) WORKING CAPITAL FUND (*continued*) (IDB.18/10)

(f) APPOINTMENT OF AN EXTERNAL AUDITOR (*continued*) (IDB.18/2)

(g) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.18/3, IDB.18/5, IDB.18/14, IDB.18/20, IDB.18/CRP.2, IDB.18/CRP.3, IDB.18/CRP.4)

(h) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (*continued*) (IDB.18/9)

1. **Mr. JEDDA** (Tunisia), speaking on behalf of the African Group, said, with regard to the proposed budget, that the African Group, in close collaboration with the Group of 77 and China had, since the end of 1996, been engaged in extensive consultations with a view to preserving the Organization. The Group had at all times maintained its position in favour of a maximum budget reduction of 10 per cent. However, at the last session of the Programme and Budget Committee (PBC), the Group, having declared its support of the consensus, had stressed how concerned it was by the drastic reductions in the Organization's budget, and stated that it had gone along with the consensus, with the aim of safeguarding UNIDO (see document IDB.18/2/Add.1, annex I). In accepting the reductions, the Group had made concessions in order to continue work and as a demonstration of its capacity for dialogue and understanding. It was, however, insistent that there should be no further cuts in UNIDO's budget or further reductions in its activities.

2. In view of the Organization's alarming financial situation, the Group wished to reiterate its request to those States with contribution arrears to settle their debts and honour their financial obligations. Voluntary contributions to the Industrial Development Fund and other funds should also be encouraged in order to meet the increasing needs of the developing countries.

3. Finally, the Group recommended that the appointment of the President of the Federal Court of Audit of Germany as the External Auditor of UNIDO be extended for a further term, and proposed that the auditor's reports issued in the future be studied by an ad hoc committee in order to ensure the transparency required.

4. **Mr. CELSO de OURO PRETO** (Brazil), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the agenda item under discussion was one of the most important for consideration at the current session. GRULAC wished to reiterate its firm wish that the Board adopt, for recommendation to the General Conference, the conclusions and recommendations of the PBC, in particular the proposed programme and budgets for the biennium 1998-1999, as agreed in its conclusion 97/10 (IDB.18/2/Add.1, para. 11).

5. As indicated by GRULAC in the explanation of its vote (IDB.18/2/Add.1, annex I) in connection with the adoption of that conclusion, the agreement reached did not meet the expectations of its members. Throughout the entire negotiation process, GRULAC had expressed its opposition to any reduction in the Organization's budget. However, in a spirit of compromise, it had supported the final outcome of the negotiations, on the understanding that no further budgetary cuts would be made. It regretted the PBC's decision to close down the UNIDO liaison office in Geneva, which could have contributed to the implementation of the Organization's mandate.

6. GRULAC was convinced that, in having finally agreed on the programme and budgets for the biennium 1998-1999, UNIDO was moving into a new phase of its life, which, it was hoped, would be characterized by a period of stability with a long-term vision. Following the efforts expended by Member States and the Secretariat in defining the Business Plan and adopting a budget, it was now necessary to ensure the effective fulfilment of UNIDO's mandates and the implementation of the related activities, projects and

programmes, within the framework of a stable environment. GRULAC was confident that all Member States would act in a constructive manner in that new phase and that the Secretariat would strictly comply with the mandates emanating from the Organization's governing bodies, in particular with regard to the strengthening of field representation.

7. Concerning the International Centre for Science and High Technology (IDB.18/16 and Add.1 and 2), GRULAC wished to appeal to the Government of Italy to continue providing its invaluable support and to reconsider its request for a change in the status of the Centre, which had been established within the legal framework of UNIDO.

8. GRULAC regarded the prepa rations for the seventh session of the General Conference as particularly important, and felt it would be useful for the Board to establish an informal mechanism which, on completion of the Board's current work, could initiate the relevant consultations.

9. **Mr. DE LEZICA** (Argentina) said that the extensive deliberations that had preceded the PBC's adoption of the proposed budget for the biennium 1998-1999, now before the Board, not only reflected the concern of Member States to ensure the viability of the Organization, but also promoted a foretaste of the difficulties that the new Director-General would have to face in its effective implementation, given the major adjustments which it had undergone. Member States involved in those deliberations had seen their expectations unfulfilled and had had to make regrettable concessions. One example was the closure of the Geneva office, to which the new Director-General had intended to assign a new role of coordination with major international organizations in that city, with whose Directors-General he had already agreed to work jointly with a view to reducing the operational costs of UNIDO's programmes and to providing services to those organizations in common areas; that could have led to increased resources for the Organization and avoided duplication.

10. It had nevertheless been possible to observe a willingness on the part of Member States to arrive at an outcome which, while not meeting the aspirations of the supporters of the different budget reduction scenarios, might at least provide the new Director-General with the essential tools to discharge his mandate.

11. His delegation believed that, if he was to transform UNIDO into the dynamic and modern Organization which the developing countries required, the Director-General should be given the necessary tools to enable him to make the best use of the limited resources available and should be allowed to administer the budget with a degree of flexibility, in order to be able to assign resources as required by the circumstances and to make use for the benefit of the Organization of surplus funds from each accounting period and resources obtained externally from additional sources of funding, within the parameters laid down by the Financial Regulations.

12. His delegation was gratified by the commitment on the part of Member States to refrain from further budget adjustments in the future, given that the predictability of available resources would form the basis for an efficient administration. Argentina therefore wished to request that no measure should be taken to overcome the difficulties facing UNIDO in the current budgetary period that might affect the 1998-1999 budget, since that would in practice mean a further budget cut that would have an unpredictable impact on the Organization's activities. The attraction of short-term benefits entailed risks that UNIDO was not in a position to assume.

13. **Mr. BOERSNER** (Observer for Venezuela) said that, while all the difficulties which had recently given rise to a crisis and called in question UNIDO's very existence had not been overcome, decisive steps had been taken during the last few months in the process of introducing substantive changes in the functioning of the Organization, in terms of its priorities, structure, programmes and budget. The adoption of the Business Plan by the Board had been the starting point for that process and the main source of ideas for the discussions on all areas requiring reform. The challenge was now to implement its conclusions with a long-term vision and an appropriate balance between firmness and flexibility. For that purpose, permanent dialogue was to be encouraged in order to ensure UNIDO's adaptation to the dynamics of the global economic and political system, and the nature and scope of the services to be provided by the Organization in the future needed to be clearly defined.

14. In the Venezuelan delegation's view, UNIDO should not only provide technical assistance but also provide inputs for negotiations at other levels with a view to ensuring that the process of socio-economic globalization did not take place under unilateral pressure but reflected a growing consensus between developed countries, developing countries and countries with transition economies. Venezuela believed that UNIDO could be transformed into an international forum providing for equitable participation by countries of different categories, and the public and private sectors, in the promotion of sustainable industrial development.

15. Venezuela was of the opinion that the agreements reached by the PBC regarding the programme and budgets for the biennium 1998-1999 did not meet the aspirations of many Member States, particularly those of the developing countries, and were not in keeping with the

objectives outlined in the Business Plan. Despite that unsatisfactory outcome, his delegation had accepted the proposed budget reductions, chiefly through a desire to safeguard the existence of UNIDO, and had accordingly supported the conclusion adopted by the PBC at its resumed thirteenth session. It regretted that the PBC had not opted for the proposals aimed at restructuring the Organization in such a way that the financial resources saved in certain areas would be reassigned to others having greater priority. It therefore felt, as stated in paragraph (f) of PBC conclusion 97/10, that any further reductions in the 1998-1999 or future budgets would seriously impair UNIDO's capacity to fulfil its mandate.

16. UNIDO was on the threshold of a more promising phase. Advantage should be taken of the atmosphere of renewed confidence in order to redouble efforts towards solving other problems which had contributed to the state of uncertainty concerning the Organization's existence. His delegation therefore appreciated the steps taken by the Director-General, in conformity with decision IDB.17/Dec.3, to recover the amount owed by the United States of America. It had recently been announced that the Government of Venezuela would honour all its obligations towards UNIDO. Following the payment of $669,536.91 made in January 1997, the balance of its arrears, i.e. $2,267,886, would be settled prior to the next General Conference session. That constituted a major effort for his country, given the serious financial crisis through which it had recently passed. However, it wished to display its commitment to and confidence in the Organization; more than ever before, it was persuaded that UNIDO's existence was of vital importance to the attainment of sustainable industrial progress, particularly in the least developed countries.

17. Finally, the proposal made by the Government of Italy for a change in the status of the International Centre for Science and High Technology was a source of concern to his delegation. Venezuela felt that the advantages and disadvantages of such a change should be analysed in depth, since it was feared that UNIDO's activities in the field of investment promotion and related technologies, as outlined in the Business Plan, might be affected.

18. **Ms. OK** (Turkey) said that she regretted the occurrence of the events that had led to a situation where the Board was discussing serious cuts in UNIDO's budget and programmes. There was nevertheless some hope for a rebirth of the Organization with a reduced but concentrated programme, a better management and improved communications with Member States and with international finance institutions.

19. It was difficult to envisage how the Organization's programmes would look following the foreseen cut of over 20 per cent in its budget base, as negotiated by the PBC. The new Director-General's vision would be crucial in determining the point from which UNIDO could move forward. Her delegation wished to be optimistic about the Organization's continuing role of serving the needs of the developing countries.

20. Turkey fully complied with its budget commitments and had been a provider rather than a recipient of aid within the Organization. It hoped that the new atmosphere that would be created, both inside and outside the Organization, by a new management would induce those Members which had not been willing to meet their obligations for different reasons to do so.

21. The Turkish delegation regarded the 20.12 per cent reduction from the budget base of $156,360.7 (PBC conclusion 97/10, table 2) as the uppermost target to be implemented by the new Director-General in accordance with his innovative outlook for the Organization and his anticipated relations with the outside world. Regarding the implications of the proposed budget cuts on staffing levels, she wished to express her appreciation to the Chairman of the informal open-ended working group on personnel and financial aspects related to staff reductions for his efforts to formulate guidelines for recommendation. Turkey wished to insist on the continuation of some form of consultative group, with which the new Director-General could maintain contacts during the implementation of the staff reduction programme. It agreed that top priority should be given to voluntary separations, followed by new recruits, particularly staff engaged during the past four or five years. The last group of staff members to be considered for involuntary termination should be experts and qualified personnel who had served UNIDO for longer periods and had contributed to the Organization's success.

22. The options for the collection of unpaid assessed contributions from the United States of America, as set out in document IDB.18/18, were unacceptable to her delegation. Confrontational approaches would not solve the problem. Turkey would prefer the new Director-General and the President of the Board to continue their contacts with the relevant United States authorities, and with the authorities of other countries which also owed huge sums, to persuade them to comply with their obligations. No one debtor should be singled out but all payment defaulters should be dealt with equally, including those from the developing countries.

23. With regard to the proposal to change the status of the International Centre for Science and High Technology (ICS), her delegation felt that it was the prerogative of the Italian Government to decide whether to transfer the ICS project to UNESCO. However, that would not constitute a favourable development from the viewpoint of Turkey's project to establish a centre for

hydrogen energy technology under the framework of UNIDO.

24. **Ms. LAJOUS VARGAS** (Mexico) said that she wished to reiterate that the agreements reached by the PBC at its resumed thirteenth session (IDB.18/2/Add.1) were not entirely satisfactory to her delegation and did not meet its expectations. Nevertheless, the Mexican delegation, like those of the other developing countries, had in a spirit of compromise striven to arrive at an outcome acceptable to all Member States, provided that the viability of UNIDO was not jeopardized.

25. Mexico believed that the PBC's decision concerning the programme and budgets for the biennium 1998-1999 provided a necessary basis for continuing the substantive work of the Organization and for completing the reforms and restructuring initiated at the Yaoundé General Conference session. Her delegation was ready to agree that the Board should endorse the agreements reached by the PBC, on the same terms, and wished to call upon all Member States to do likewise.

26. Her delegation continued to be concerned by the financial and personnel implications of the further budget cuts that would come into effect in 1998, and believed that the costs arising from those cuts and from the consequent decrease in staffing levels should be borne by those States which had never argued for the cuts. Her delegation was nevertheless willing to discuss different options and hoped that a solution could be jointly found. That required all Member States to be up to date with their assessed contributions to the Organization. Mexico had paid its dues for 1997 and had even made some partial payments towards its 1998 contribution. The problem of financing the staff separation programme was not the result of non-payment of assessed contributions, but was the consequence of the budget cuts.

27. Finally, her delegation wished to express its concern regarding the proposal of the Italian Government to change the status of the International Centre for Science and High Technology, which had been established under the legal framework of UNIDO. Mexico, like other developing countries and countries with transition economies, had benefited from the Centre's activities and believed that its transfer to a sphere not concerned with the links between technology and industry would not only jeopardize the follow-up of projects in progress or in the pipeline but also be contrary to UNIDO's constitutional mandate and to the terms of the Business Plan. As had been pointed out by the Secretary-General of the United Nations (United Nations document A/51/950, para. 88), technology was one of the important areas that a revitalized UNIDO could handle. The Mexican delegation appreciated the cooperation provided by the Government of Italy in connection with the Centre and hoped it would continue to provide it on the existing terms. It should be borne in mind that the Centre had become fully operational only last year and a certain interval was necessary for the rewards to be reaped.

28. **Mr. KOTOV** (Bulgaria) said that the Board, at its current session, must finalize its deliberations and make the best possible preparations for the forthcoming General Conference session. With regard to the programme and budgets for 1998-1999, his delegation believed that the proposed cut of 20.001 per cent in the regular budget as compared with the budget base for 1998-1999 would limit the Organization's potential generally and would narrow the scope of its activities. Any further budget reductions could seriously impair UNIDO's capacity to fulfil its main mandates. The proposed cut required a thorough examination of all aspects relating to staff reduction and funding modalities, as outlined in document IDB.18/15/5/Rev.1.

29. The programme and budget adjustments made in the biennium 1996-1997 had shown that such an exercise could be both complicated and painful. However, the Board's extensive discussions on the future role and functions of UNIDO had led to the conclusion that the only possible way of preserving the Organization and making it more flexible and effective in the present economic situation would be by downsizing it and focusing its activities on areas where it could better respond to the demands of the developing countries and economies in transition. His delegation believed that, within the available resources agreed upon for the biennium 1998-1999, further emphasis should be placed on refining the management and performance of the Organization, and making it financially sound, transparent, dynamic and practically oriented, with more simplified procedures enabling it to respond promptly to the requests of Member States, meet its priorities and fully implement the Business Plan.

30. The Organization's successful performance was closely related to the mobilization of funding through the Industrial Development Fund and other voluntary contributions. In the view of the Bulgarian delegation, UNIDO could and should play a more active role in expanding trilateral cooperation among recipient countries, donor States and specialized funding agencies, including efforts to mobilize additional extrabudgetary resources and to develop innovative modalities for mobilizing funds, as discussed in document IDB.18/9.

31. His delegation was also concerned about the critical status of the payment of assessed contributions and the cash flow balance in the regular budget. The depletion of the Working Capital Fund could place the Organization in an unprecedented situation of insolvency and undermine the reform process as a whole. Bulgaria had

met its financial obligations in full and on time, and wished to urge Member States in arrears to make every effort to honour their commitments. His delegation was in favour of the proposal to reactivate the open-ended discussion group on timely payment of assessed contributions (see document IDB.18/5).

32. Bulgaria was of the opinion that the staff separation programme stemming from the budget reductions should be financed mainly through income from outstanding contributions. However, in view of the prevailing situation regarding the cash flow balance, his delegation was prepared to examine further possibilities for resolving the problem, on the understanding that any solution would not give rise to an additional financial burden, particularly for Member States without the financial resources to meet new financial commitments.

33. **Mr. UMER** (Pakistan) endorsed the statement made by Brazil on behalf of GRULAC. The new draft budget was the result of long and difficult negotiations characterized by a remarkable degree of cooperation and compromise among all groups of countries. Despite the budget reductions, the developing countries could be satisfied that the core programmes had been retained, including the important areas of strengthening of industrial capacities, sustainable industrial development, technical cooperation and field representation. The total appropriations for those areas amounted to over $75 million, or approximately 60 per cent of the total budget. If properly implemented, the activities under those major programmes would play a significant catalytic role in advancing industrial development and promoting the welfare of peoples. Disappointment at budget reductions could be counterbalanced by the realization of the Organization's continuing capability to assist in those key areas.

34. The new measures for the reform of field representation, if judiciously carried out, would transform the Organization's operational culture. Decentralization, downward empowerment, emphasis on service packages, increased use of local expertise, enhanced cooperation with investment promotion ser-vices, and greater coordination with other United Nations field offices would all strengthen the delivery arm of the Organization, producing clear and tangible benefits for recipient countries. The redeployment of personnel from Headquarters to the field was also consistent with the Secretary-General's new vision of a revitalized, target-oriented United Nations.

35. The developed countries had equally valid reasons to be satisfied with the proposed budget and its positive features. It had not been their intention, nor was it in their interests, to deprive UNIDO of its core functions in the globalized economic environment. Universal growth was in everyone's interest, whereas compartmentalized areas of affluence were no longer sustainable. The proposed allocations also met all possible concerns about cost-effectiveness. Compared to the budget for 1996-1997, there had been a reduction of almost 35 per cent, including the reduced UNDP component; 125 posts were to be eliminated.

36. A streamlined UNIDO was poised to fulfil its mandate in an efficient and cost-effective manner. A turning point had been reached for the Organization, and the parameters of the debate should be changed to focus on how best to enable the new Director-General to implement the budget provided. The emphasis should once more be placed on fulfilling UNIDO's mandate to promote the industrial development of the developing countries through cooperation and partnership. The culture of reductions should end, and the Organization should be empowered to operate in a climate of confidence, stability and assurance. UNIDO's staff should be freed from the relentless pressures of the past several years in order to discharge their responsibilities without fear of the future. Those obliged to leave should be allowed to do so in dignity and with full rights. Agreement should quickly be reached on separation costs, making use of the precedents available in the United Nations and elsewhere.

37. In connection with the recovery of arrears, his delegation shared the general frustration at the continuing stalemate. However, while reviewing the various options elaborated by the Director-General, it should be recalled that the objective was to recover the funds, rather than to score political points over the defaulters. They should be careful not to completely close the door on cooperative action.

38. The budget should be approved without any further modifications. The proposals had been constructed with considerable care over several months and if any single element were altered, the entire structure could crumble. The new Director-General should be allowed to use any flexibility available within the budget.

39. The budget should be endorsed by consensus, avoiding the necessity for a vote. It would be distressing to witness any further division in the Board, and it would be most encouraging and appropriate if the sincerity of purpose of Member States could be reflected in a consensus recommendation to the General Conference.

40. **Ms. ALLEMAYEHU** (Observer for Ethiopia) said that she supported the statements made by the African Group, the Group of 77 and China. After strenuous discussion, the PBC had failed to reach a consensus on the budget problem, and her delegation shared the concern of developing countries that no further budget reductions

should be made in the next biennium. The current reductions were excessive, and might already hinder effective implementation of the programmes outlined in the Business Plan.

41. It was gratifying that the African region had been given priority in UNIDO's major programmes, as the African countries, and especially the LDCs, relied on the Organization's technical support to accelerate their industrial growth. Food security and sustainable development in the twenty-first century were also of immediate concern to many LDCs. Ethiopia therefore supported the continuation of UNIDO's programmes for the promotion of agro-industrial development and the strengthening of field offices and activities at the country and subregional levels in Africa.

42. With regard to the current financial situation, it was a double misfortune that the Organization, which had undergone intensive budget cuts, should face yet another financial crisis through the non-payment of assessed contributions. Only 62 countries had paid their dues in full as of 31 October 1997, and almost 60 per cent of Member States were in arrears. Two recent payments by the Government of Japan and payments by some Member States since September 1997 had slightly improved the situation. Ethiopia had paid its own contribution in full and was always committed to meeting its obligations. The Board would surely find a practical means of ensuring the payment of arrears. Unless UNIDO could be rescued from the current financial catastrophe, the vision of a new viable UNIDO would be blurred, and all discussions would remain futile. The conclusions and recommendations of the eighteenth session of the Board could help to rebuild UNIDO on a strong foundation.

43. **Mr. LI CHANGHE** (China) said that UNIDO's difficulties were primarily of a political nature, reflecting certain trends which had emerged after the end of the cold war. He nevertheless hoped that UNIDO would continue to play its important role in international economic cooperation and in assisting developing countries to strengthen their industrial capacities.

44. The current session of the Board was of crucial importance in view of the forthcoming General Conference; in particular a smooth adoption of the programme and budgets for 1998-1999 was essential. The current budget proposal had been reduced by over 30 per cent compared to the 1996-1997 level, which would inevitably have some negative impact on the implementation of the Business Plan. Although the budget reduction was excessive, his delegation had agreed to the plan, in view of the long and difficult negotiations involved, in which great flexibility had been displayed by all sides. The developing countries had already made a maximum compromise on the programme and budgets question, and he hoped that other countries would attach proper importance to international development and cooperation, and give support by concrete action.

45. If the outcome of the reform was to reduce UNIDO activities to a minimum level, then the aim of the reform was very questionable. At the United Nations General Assembly, many States had expressed the view that development should be given high priority. The international community could surely reach a consensus on the question.

46. In future, UNIDO should be allowed a period of recuperation, without any more threats of budgetary reductions. It could not fulfil its role when constantly inhibited by financial crises. In the current month, it had even been uncertain whether staff salaries would be paid. Budget reductions over the next two years would result in the loss of 120 staff members, with separation costs of $16 million. The $2 million available from reserve funds still left a gap of $14 million, and no solution had yet been found. The cash flow situation for the first half of 1998 was very uncertain. All Member States should pay their assessed contributions as early as possible, as the Organization could soon be in irreversible difficulties. Arrears in payments already amounted to $100 million, including $61.3 million from the United States, which was equivalent to almost the two-year budget for the whole Organization. Negotiations should be held with the United States Government in order to urge it to pay its arrears. The intersessional group should also continue its work to find ways of expediting payment.

47. Finally, an early and appropriate solution should be found for the important and delicate issue of staff separations, which involved the self-interest of the Secretariat's staff and also affected the functioning and capacity of the Organization. Decisions concerning the future of various departments should be made strictly in accordance with the priorities outlined in the Business Plan. Staff reductions should not affect the efficiency and expertise of the Organization, and separation costs should be minimized. The criteria for retaining staff members should include consideration of their qualifications, skills and competence, while also properly reflecting the principle of equitable geographical distribution.

48. **Mr. AMROHI** (India) said that his delegation had supported the revised programme and budgets for 1997-1998 at the resumed PBC session, although it was dissatisfied with the drastic reductions proposed. Every effort should be made to strengthen the Organization in view of the importance of its mandate for the developing countries. No further budget cuts should be made, and the Organization's resource base should be expanded.

49. The current financial crisis remained a matter of concern. All defaulting Member States should be called upon to fulfil their legal obligations without delay and in full.

50. He suggested that Member States might need more time to consider the transfer of the International Centre for Science and High Technology from UNIDO to UNESCO. The Centre was an important body under the UNIDO umbrella, currently carrying out projects in a number of countries, and involving experts from both developed and developing countries. The views of the beneficiary countries should also be taken into account before a final decision was reached. For example, how would current projects and those proposed for the next biennium be affected by the transfer of the Centre to UNESCO?

51. **Mr. AHMADI** (Islamic Republic of Iran) said that the task of the Board was to ensure that implementation of the programme and budgets for 1998-1999 complied with the Business Plan on the future role and functions of UNIDO. The cuts of over 20 per cent in the Organization's regular budget would impair its capacity to fulfil its mandate, but the developing countries had agreed to them and had made great concessions so that the Organization could be revitalized. Though the programme and budgets had been put to the vote in the PBC, he hoped that the Board would be able to reach a consensus. All Member States should show their support for UNIDO and their firm willingness to enhance international cooperation on industrial development. The gradual abolition of UNIDO, which might be the ultimate aim of a few countries, would cause a loss of some hundred thousand dollars in technical assistance to developing countries, but the developed countries would sustain an even greater loss politically and economically, particularly with regard to the credibility of their objectives in international cooperation. The downsized UNIDO should therefore not be considered as a privilege granted to the developing countries. Every effort should be made to ensure that the Organization was effective and also accommodated the demands of developing countries.

52. Although many other international organizations were also facing the problem of arrears in the payment of assessed contributions, UNIDO had been particularly affected by the non-payment of United States contributions amounting to some $61 million. If only half of those arrears could be collected, the current financial crisis of the Organization would be relieved, and concrete solutions could be found to various questions, including staff separation costs. The open-ended discussion group on timely payment of assessed contributions should focus on finding constructive and realistic methods rather than discussing measures to force only the major contributors to fulfil their outstanding obligations.

53. **MR. SANUSI** (Nigeria) said that his delegation supported the statement by the African Group, and reiterated its support for the current reform. The Organization had gone through three difficult years of budget reductions and rationalization. In a spirit of cooperation, Nigeria had accepted the budget reduction of 20.001 per cent, while regretting that a vote had been necessary in the PBC. The budget should be adopted by the Conference without much difficulty and Member States should no longer subject UNIDO to such pressures. The success of the renewed Organization would depend on the support of Member States, and in particular on their honouring their financial obligations.

54. Although the reform activities had to some extent been very encouraging, some had had painful impacts. The team involved should nevertheless be commended. The next rationalization exercise should be carried out with all due care and compassion for both the Organization and the staff concerned.

55. With regard to the decentralization soon to be carried out, his country offered to host one of the new regional offices.

56. The financial base of the Organization would have to be reinforced. All arrears should be paid, and the inter-sessional open-ended discussion group on timely payment should be reconvened. He also endorsed the action plan suggested by the Director-General in document IDB.18/18, which should help the Organization to recover the money owed by a former major donor.

57. **Mr. DASQUE** (France) fully supported the request made by GRULAC concerning the liaison office in Geneva. The PBC resolution proposing its closure was regrettable, as the office had enabled UNIDO to maintain links with UNCTAD, WTO and other Geneva-based organizations. If the future Director-General wished to retain the Geneva office, without of course undermining the whole budget framework, his delegation would not object. The Director-General should take advantage of any possible flexibility in budget implementation, while of course respecting the prerogatives of the governing bodies.

58. **Mr. DE MARIA Y CAMPOS** (Director-General) welcomed the general consensus on the programme and budgets that appeared to be emerging, despite the dissatisfaction of Member States that had wished for lesser—or in some cases for greater—budget reductions. A consensus would provide a good basis for his successor's work.

59. Implementation of the staff separations would inevitably be a painful process and a fundamental

challenge for the Secretariat. Every effort would be made to carry out the reform with all due compassion.

60. The closure of the Geneva office would be unfortunate, as it had been an important point of contact with developing countries that had no permanent representation in Vienna, including many French-speaking LDCs. The office had also facilitated coordination with organizations such as UNCTAD and WTO, in order to avoid duplication of activities. The present situation had been reluctantly accepted, in order to avoid reopening the budget discussion. Perhaps his successor could ensure that some kind of representation would be maintained in Geneva, perhaps funded out of voluntary contributions. Any thoughts on that subject from Member States would be welcome.

61. On the question of arrears and payments, a pragmatic approach was certainly needed. That had always been his approach in attempting to ensure payments and recover arrears from the United States and other countries. His efforts had resulted in a considerable improvement in the financial situation, as borne out by the figures for September 1997, which showed receipts of $14.6 million, with Venezuela's recent payment, receipts now stood at some $17 million. In the short term, therefore, and according to informal indications, the most difficult problems had been overcome. He would continue his efforts to achieve a solution for the longer-term problem as long as he was in office. He urged Member States to review the possibility of paying their contributions as early as possible in January 1998, so that his successor could start out with a good financial basis and ensure the smoother running of the Organization in the future. To that end, it was important to find a Member State willing to chair the working group on the financial situation of UNIDO, bearing in mind that results could only be achieved by Member States themselves, and that a change of attitude by some States was essential. If the LDCs could bring their payments up to date, as some of them had recently done, countries in a healthier financial situation could do likewise.

62. Two different questions were therefore involved: the need, firstly, to establish incentives to make payments on time and penalties for failure to pay, and, secondly, the need to address the matter of arrears, particularly those of the United States. In that connection, it was important to establish a contact group which would act in a pragmatic way and further examine the various measures already proposed.

63. The Organization had reached an important juncture in terms of the consolidation of reform and its progress in the area of field representation was particularly welcome. The Organization now had a good programme and, as a result of the support and guidance it had received, it was preparing a series of new guidelines and procedures for the field which should bring results. By mid-December 1997, a training programme was expected to be in place in the field, so that new ideas could be applied as soon as possible.

64. The working group chaired by the Tunisian delegation was to be commended for its efforts to establish guidelines for staff separation. Although little more time could be given for studying the financing options, the Board must have a clear idea by the start of the General Conference of the amount of resources that would be available for voluntary separations, so that the programme could begin as soon as possible.

65. **Mr. BENMOUSSA** (Morocco) fully agreed with other delegations that it would be a mistake to close the Geneva office, in view of its particular importance to the developing countries. It was a matter of some concern that, while the Secretary-General of the United Nations, in paragraph 88 of his report entitled "Reviewing the United Nations: a programme for reform" (A/51/950), had suggested that energy, technology and privatization might be added to the mandate of a restructured and revitalized UNIDO, the tendency in Vienna was to reduce activities to the minimum. He therefore wondered how the Board and the General Conference should respond to the more comprehensive position of the Secretary-General.

66. The main objections to the budget had come from countries of the European Union, despite their claims that reform of the United Nations system in the economic and social areas was not related to cost-cutting but to strengthening and revitalizing the Organization to effectively meet the challenges of the future. The countries of the European Union should therefore stand by their diplomatic position and draw the appropriate conclusions in respect of the UNIDO budget.

67. **Mr. HALIM MOHAMED** (Sudan) said that, although the reform package proposed by the Secretary-General was still under review by the General Assembly, the Board should try to reach an understanding so that, if it was decided that UNIDO should take on additional tasks, the relevant decisions could be reviewed, in an attempt to provide for the added mandates, on the understanding that more resources would be required.

68. **Mr. PALACIOS CEVALLOS** (Ecuador) said that his delegation supported the constructive position of the French delegation concerning the Geneva office and the suggestion that the new Director-General should be able to investigate the possibility of maintaining it within the budgetary limits established and in keeping with the overall aims of the Organization.

69. **Mr. CLERISME** (Observer for Haiti) said that his delegation fully supported the proposal by France concerning the Geneva office, in view of its importance to the Geneva-based delegations—particularly those of the LDCs—and its proximity to UNCTAD, WIPO, WTO and other organizations. It also agreed that the new Director-General should have an opportunity to review the decision to close the office, provided there were no budgetary repercussions.

70. **Mr. KHALIL** (Tunisia) said that, although it had a Business Plan and a programme and budgets, the Organization still faced the problem of a lack of resources in the longer term. It was therefore particularly important that all countries should pay their dues and work with the Director-General and his successor to achieve a lasting solution for the Organization. He urged the President to do his utmost to find a chairman for the working group entrusted with that question so that its work could be resumed.

71. **The PRESIDENT** replied that more time was needed for consultations with representatives of the various geographical groups in order to find a chairman. It should nevertheless be possible to make a recommendation during the current session.

72. **Mr. UMER** (Pakistan) said that no delegations, least of all those from the developing countries, were happy with the decision to close the Geneva office, in view of its very useful function for the Geneva-based delegations. He advocated giving the new Director-General some flexibility, bearing in mind, however, that a decision taken by an intergovernmental body could be reversed only by that same intergovernmental body. It would be particularly helpful to delegations if some document could be provided which clearly described the synergies achieved by UNIDO and the Geneva-based organizations and more clearly underscore the role of the Geneva office.

73. With regard to separation costs, the open-ended working group chaired by the representative of Tunisia might usefully examine the precedents set by other United Nations bodies in the attempt to find an acceptable formula.

74. **Mr. HALIM MOHAMED** (Sudan) acknowledged the wisdom of the French delegation's proposal regarding the Geneva office and of the point made by the Pakistan delegation concerning decisions taken by an intergovernmental body.

75. On the question of timely payments, he endorsed the appeal by the Director-General that Member States should endeavour to make their payments in January, in order to smooth the way for the new Director-General. It was clear that all delegations considered that UNIDO should continue to operate and that it was important to world development and particularly to the developing countries. He therefore appealed to delegations which had been reluctant to accept budgetary cuts and staff separations to try to persuade their Governments to make generous voluntary contributions so that the Organization could continue its activities at the same level as normally under the regular budget.

76. **Mr. GITHINJI** (Kenya) said that his delegation was one of those which ran its Vienna operations from Geneva and wanted the Geneva office to survive. It nevertheless understood the financial implications of maintaining that office and hoped that the new Director-General would be given the necessary flexibility to maintain it within the approved budget.

77. **Mr. DE MARIA Y CAMPOS** (Director-General), replying to the points raised by the Moroccan delegation, said that the General Assembly had decided that an Interministerial Commission set up to deal with specialized agency matters would formulate a strategy for multilateral cooperation for the century ahead and report to the Millennium Assembly. Specific mention had been made in its decision of the new challenges and the possibilities open to UNIDO in energy, technology and private-sector development. In addition, following his own discussions with the Secretary-General, it had been decided to establish a task force within the mandate of the Business Plan to develop ideas about activities in those fields in the future.

78. With regard to the questions raised by the delegation of Pakistan, the Secretariat had reviewed all United Nations experience in the matter of separations following the United States withdrawal. There had been no comparable experience in Geneva, where most of the reductions had been small in scale and related to vacant posts.

79. **Ms. WOANYAH** (Ghana) said that her delegation, like other Geneva-based delegations, supported the continued operation of the Geneva office and suggested that the countries which benefited from it might consider contributing to its maintenance. She urged all countries which had not yet done so to follow Ghana's own example and pay their assessed contributions.

80. **The PRESIDENT**, summing up, said that the programme and budgets for 1998-1999 proposed for consideration by the IDB were the result of long and difficult discussions. Most delegations recognized that a spirit of compromise and cooperation had prevailed. The main directions and the proportions of the proposed budget were in conformity with the chief objectives of the UNIDO reform process and reflected the priority areas

contained in the Business Plan adopted in June 1997. Board members had, generally speaking, expressed their agreement with the programme and budgets as contained in the document approved by the PBC in its November 1997 meeting.

81. Regret had been expressed by a number of delegations over the budget reduction for the next biennium. Some delegations had expressed concern over certain specific measures to be implemented as a result of the reduced budget. Delegations had confirmed the importance of correct and honest implementation of the staff separations resulting from the budgetary cuts. In that context, the valuable work of the working group chaired by the representative of Tunisia had been commended. There had been agreement among Member States that staff separations should be made in full compliance with the respective rules and regulations. Various opinions had been expressed on the possible resources to be utilized for such separation.

82. In discussing the programme and budgets and the current financial situation, a repeated appeal had been made to States which had not already done so to pay their arrears as soon as possible. Thanks had been expressed to the Secretariat and the Chairman of the PBC for their work in preparing the programme and budgets for the next biennium.

83. The report of the Chairman of the open-ended working group and the respective resolutions would be finalized at the PBC meeting on the following day. The IDB would then take up those items during the decision-making process.

84. **Mr. BENMOUSSA** (Morocco) agreed with the President that staff separations should be conducted with full respect of the regulations, but stressed that the reference was to staff regulations. On the other hand, it was possible to suspend the implementation of financial regulations.

85. The Business Plan had stated the means by which budgetary adjustments were to be achieved, among other things by the discontinuation of activities, but it added that the implementation of such adjustments might result in costs for staff separations in the programmes affected. Measures for financing separations should therefore be an integral part of the budget and should be annexed to it. The budget could not be considered as adopted when the PBC had not completed an essential part of its work, related to the financing of staff separations.

86. **The PRESIDENT** agreed that the Board could not approve the budget until the PBC had completed its work. His summing up had reflected his impression of the Board's discussion and of the feeling of Member States, which he believed was acceptable to the Board.

87. **Mr. HALIM MOHAMED** (Sudan) expressed his agreement with the President's summing up, and particularly with his clarification that the budget could not be adopted until the PBC had completed its work.

88. He would nevertheless prefer it to be made clear that the majority of delegations and regional groups had expressed regret and concern at the budget cuts. Furthermore, out of recognition for the diligent work of UNIDO staff, it would be more appropriate to say that the separations were an unhappy consequence of budget cuts.

89. **The PRESIDENT** said that his summing up would not be used as a reference for decision-making. Its sole purpose was to focus the attention of the Board on what had been discussed. It was therefore not his intention to redraft.

The meeting rose at 1.05 p.m.

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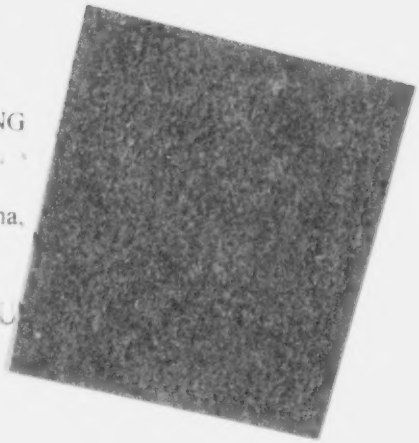
Industrial Development Board

Resumed eighteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 18 November 1997, at 3 p.m.

President: Mr. POSTA (Hungary)



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The meeting was called to order at 3.20 p.m.

STATEMENT BY THE PRESIDENT OF THE UNIDO STAFF COUNCIL

1. **Mr. SPINA** (President of the UNIDO Staff Council) said that the Staff Council was grateful for having been invited to participate in the deliberations of the working group dealing with the implications of budget reductions, which was a positive step in building the team Member States had indicated to be the way of the future. The Staff Council had expressed its concerns on many occasions, and felt that the experience gained from the previous reductions in staff should have served to better prepare for the new reduction ahead. In the downsizing exercise, management must be able to match the skills of staff with the skills required by the Organization; however, as far as the Staff Council knew, neither had existing skills been assessed nor had the Organization's requirements been defined. Decisions affecting people should be based on facts and not on guesswork.

2. The Staff Council had never advocated a "last-in, first-out" approach but that justification of all types of those recent recruitments should be reviewed as had been discussed during the meetings of the working group. Some provision for technical training for serving staff members should be part of management's plans, yet the Staff Council had only seen a slight indication of that; a small amount of money invested in training would save much more than the costs related to external recruitment.

3. The voluntary phase of the reduction exercise should be properly funded, to avoid the need for a forced termination approach with all its hidden costs and the consequent creation of havoc for the Organization. The Staff Council had met with the newly nominated Director-General, who had expressed a desire for the Staff Council to be part of his team. Achievement of the quick results he wanted would not be helped by forced terminations; Member States should therefore make the necessary money available to avoid forced terminations in the interests of all.

4. The Council's next proposed step towards meeting the 20 per cent budget cut would be a phasing-out approach. Should the voluntary phase not draw enough volunteers, staff close to retirement age whose skills were still needed could be kept on rather than being paid off to sit at home. Another possibility would be to allow staff to work part-time, less than 100 per cent, more than 50 per cent, an approach used successfully by IAEA since 1995. That proposal had been well received in the working group, and should be reflected in its report.

5. The staff had served the Organization well and wanted it to fulfil its mandate. The Staff Council wished to avoid unnecessary litigation, and instead to negotiate favourable conditions for termination.

6. Could the indication that there should be a moratorium on further downsizing, at least for the next four years, be put in writing?

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*):

(i) **WITHDRAWAL OF THE UNITED STATES OF AMERICA** (*continued*) (IDB.18/2, IDB.18/11, IDB.18/18)

7. **Mr. YUSUF** (Legal Adviser), introducing the report by the Director-General on options for the collection of unpaid assessed contributions from the United States Government (IDB.18/18), said that the Board, in its decision IDB.17/Dec.3 (see document GC.7/5, annex I), had asked the Director-General to explore all possibilities for the collection of unpaid assessed contributions from the United States Government. The document before the Board contained information on some legal and political options available to UNIDO and specified the advantages and the disadvantages of such options. As the United States of America had ceased to be a Member State, its relations with UNIDO were no longer governed by the UNIDO Constitution. The options in question applied to relations with a non-member State that had not met all its financial obligations.

8. The central option was the establishment of a contact group of Member States to engage in negotiations and discussions with the United States Government including, if so mandated, discussions concerning other possibilities such as a debt settlement option or recourse to an arbitral tribunal.

9. The main legal option would be a request to the International Court of Justice for an advisory opinion. Though such opinions were not legally enforceable they carried much legal, political and moral weight. Another legal option, though full of difficulties and to be used only as a last resort, might be to take legal action in an American court of law.

10. It was important for Member States to take some action because failure to have recourse to available remedies might be interpreted as acquiescence or set a precedent and result in eventual loss of the arrears owed

by the United States Government. That Government had reiterated its promise to fulfil its obligations towards UNIDO, but legislation now before the United States Congress contained provisions that would, if passed, prohibit the payment of arrears owed to UNIDO. It was therefore up to Member States to take appropriate action to ensure recovery of the sum owed.

11. **Mr. BENMOUSSA** (Morocco) said that the whole issue of unpaid contributions presented the Board and UNIDO as a whole with a very difficult problem. In the first place, UNIDO must act on the assumption that the United States of America would eventually return to the Organization, not perhaps in the short term—it had still not rejoined UNESCO despite promises—but in the medium or long term. Secondly, organizations of the United Nations system dealt with Governments and not with legislative bodies even though, in the case of the United States, Congress was very powerful. It was also essential for UNIDO to act consistently in full respect for international legality: any measure that diverged from international legality would be at variance with the consensus in UNIDO. The difficulty was that, while the Constitution of UNIDO deprived a country not paying its contributions of the right to vote, there was no legal provision to cover the case of a country leaving the Organization. Clearly, the duty to pay remained but there was no provision setting a time limit.

12. Obviously, something had to be done. UNIDO must not give the impression, through its silence, that it acquiesced in non-payment. In his delegation's view, all the options presented in document IDB.18/18 with the exception of paragraph 26 (d) raised problems. Trying to enlist the support of non-governmental organizations and industry groups in order to rouse public opinion would be clumsy, ineffective and even counter-productive. As for the introduction of sanctions against American companies tendering to UNIDO, such a step might be taken but only as a last resort after the exhaustion of all other procedures. Moreover, it should be applied to all States in arrears with their contributions and not exclusively to the United States of America. It was a possibility that could be discussed by the working group. Another suggestion had been to submit the dispute to arbitration, but that would require the agreement of the United States Government. As that Government had already, in an official letter, recognized the debt and its amount there was no purpose in arbitration. Recourse to the American courts would also be unwise: they might declare themselves not competent, and even if they did not the outcome would be highly uncertain and the cost enormous. The suggestion regarding bonds to be issued by the United States Government to compensate for unpaid contributions would probably be against United States law and therefore impossible to implement.

13. The suggested contact group would have no chance of achieving anything. For a group of ambassadors from Vienna to travel to Washington would, in his view, serve no purpose. Countries represented in the United States could try to exert constant pressure in Washington, but that was not very realistic. The only practical answer was to ask the new Director-General to go to Washington to exert pressure, without expecting immediate results. He should be given a clear and precise mandate from the General Conference in the form of a decision or recommendation, including a time-frame, with a view to achieving a friendly settlement. A resolution and time limit were important owing to the legal void. An attempt might also be made to mobilize the United Nations General Assembly and to get the issue of UNIDO payments included in discussions between the Secretary-General and the United States Administration on the latter's debt to the Organization. If all failed the International Court of Justice should be approached, not for a legal opinion as suggested in the document but for a ruling: a definite time limit needed to be set. He drew attention to Article 36 of the Statute of the International Court of Justice, which showed that the point at issue clearly lay within its competence. As for costs, UNIDO could ask the Court to rule that they be paid by the party at fault.

14. **Mr. WØHLK** (Denmark) agreed with the representative of Morocco that there was very little that could be done. It was a problem not only for UNIDO but for the whole of the United Nations system. Denmark had urged the United States Government to pay its contributions to the United Nations in many bilateral and multilateral forums. Things had looked promising, with the United States Government ready to pay a substantial part of its debts, but the proposal had very recently been blocked in Congress. There was very little that could be done for the moment but both UNIDO and individual Member States must continue to exert pressure on both the Government and Congress. For that purpose it might well be useful to establish a contact group to hold discussions with both the United States Government and Congress, but at the same time Member States should be urged to make individual approaches as some countries had more influence in the United States than others.

15. The suggestion made in paragraph 27 of document IDB.18/18 for informing the United States public might also be followed up. Denmark would continue to exert pressure bilaterally.

16. **Mr. LEE** (Republic of Korea) said that his delegation supported the views expressed by the representatives of Morocco and Denmark. The problem of unpaid assessed contributions by the United States Government had become very serious and every effort

should be made to collect the $61 million of outstanding debt.

17. His country favoured a gradual, two-track approach. On the political level, the efforts made by the Secretariat and the Director-General had not met with success, so the time had come for UNIDO Member States to establish a contact group to initiate political dialogue with the United States Government. The group should include major donor countries as well as countries from the Group of 77 and its mandate should be clearly defined beforehand. If, after about six months for example, the contact group failed to achieve a positive result, UNIDO Member States should turn to the legal options, including request for an advisory opinion by the International Court of Justice.

18. In regard to one of the political options, namely the debt settlement option described in paragraphs 8-11 of document IDB.18/18, he asked the Secretariat for clarification concerning the proposed bonds to be issued by the United States Government. Who would buy such bonds?

19. **Mr. KHALIL** (Tunisia) said that document IDB.18/18 contained many interesting suggestions showing that the Secretariat had made creative efforts to find a satisfactory solution to the problem, but he tended to agree with what had been said by the representatives of Morocco and Denmark. In his delegation's view, legal proceedings or the issuing of bonds were not the best solution. After all, the debt of the United States to the United Nations system as a whole amounted to over $1 billion. The best approach was to continue to urge all countries to exert as much pressure as possible in bilateral and multilateral forums.

20. The main problem was the position taken not by the United States Government but by Congress. In his view, the establishment of a contact group would not solve the problem no matter which Member States were involved. It was not for Member States represented in the Board to engage in dialogue with members of the United States Congress. Besides, the risk of failure was enormous. The best solution would be for the General Conference to adopt a resolution by consensus that gave the Director-General a clear mandate. He could then set up a small group to help him. It was important to try to understand the mentality of and the policy being pursued by the United States Congress. Above all, UNIDO's approach should be pragmatic.

21. **Mr. UMER** (Pakistan) said that, while he appreciated the Director-General's efforts to recover the amounts due, unrealistic measures should not be considered, nor should justifications be found for the United States to withhold payment of its assessed contributions, which was an obligation that must be honoured. He requested further clarification from the Director-General about the United States Government's position and reaction to the approaches already made so that an informed decision could be taken on the strategy to be adopted.

22. **Mr. CELSO de OURO PRETO** (Brazil) said that he shared the scepticism of the representative of Tunisia about the usefulness of setting up yet another body in the form of a contact group to engage in discussions with the United States Government. Political pressure should be brought to bear directly by the Director-General, acting on the advice of Member States.

23. **Mr. SANTER** (Observer for Luxembourg), speaking on behalf of the European Union, said that, aware though the European Union was of the importance of the arrears question, it shared the scepticism of previous speakers about the proposals contained in document IDB.18/18. A decision to set up a working or other group at the current session would be premature and the best solution might be to allow time for more thorough scrutiny by Member States of the options contained in the document and consideration of possible coordinated action with their representatives in New York.

24. **Mr. ITO** (Japan) said that the collection of unpaid contributions was a matter of great importance and urgency, but the proposed options needed to be considered very carefully to ascertain which approach would be most effective. Would the proposed contact group, for instance, achieve the desired result and what would its mandate be? The deliberations of the United States Congress on the draft appropriation legislation before it gave scant cause for optimism about the payment of arrears in the near future and left little scope for negotiations with the United States Government. He supported the suggestion made by the Indonesian delegation, at the third meeting, that the relevant working group should examine the options.

25. **Mr. YUSUF** (Legal Adviser), replying to questions and comments, explained that document IDB.18/18 was intended as an information document setting out possible options, rather than presenting formal proposals. Regarding the reaction of the United States authorities to the Director-General's representations, he informed the representative of Pakistan that repeated requests by the United States Department of State to Congress for the payment of part of the United States arrears in contributions to UNIDO had been rejected, although the Department of State continued to recognize its obligations to the Organization and had promised that it would make further proposals. The legislation currently

pending before Congress concerning appropriations for arrears in contributions to the United Nations made no provision for payments to UNIDO and indeed included a clause prohibiting the United States Government from using those funds, if approved, to pay its arrears to the Organization.

26. Regarding the reference of the representative of Morocco to Article 36 of the Statute of the International Court of Justice, he explained that the Court's competence to rule on legal disputes extended only to disputes between States; intergovernmental organizations could only request advisory opinions.

27. Referring to the question by the representative of the Republic of Korea about the debt settlement option, he said that such an option would have to be negotiated with the United States Government. There was nothing in United States law to prevent the Government from issuing bonds, which, in the case in question, would be treasury bonds, to be sold on the open market, the market value depending on the date of maturity of the bonds and on the rate of interest. The option had been proposed in the interest of securitizing the debt because, although the Department of State had acknowledged its debt to UNIDO and expressed its wish to pay the arrears, the amount of the arrears had never been recognized in writing by the United States Government.

28. **Mr. DE MARIA Y CAMPOS** (Director-General) assured the Board that every possible effort had been exerted to bring pressure to bear on the United States authorities, his latest contact having been with the Assistant Secretary of State for International Organization Affairs on 29 August 1997. The question of the outstanding payment of assessed contributions had been among the issues discussed at that meeting. The representative of the United States Government had reiterated that the Administration fully recognized its financial obligations to UNIDO but its request for funding had been rejected by Congress, which had explicitly refused payments to several international organizations, including UNIDO, which was not seen as a priority since the United States was no longer a Member State. The Assistant Secretary of State had seen no likelihood of payment in the forthcoming fiscal year. Other approaches, through the United Nations, had so far yielded no results. Meetings had also been held with the United States Association for the United Nations in New York, which was very outspoken on the matter of the country's obligation to pay its contributions to the United Nations. The United States Ambassador to the United Nations had also spoken out in favour of payment of outstanding contributions. The picture was therefore clear, and he awaited the Board's decision on how to proceed further.

29. **The PRESIDENT**, summing up, said that delegations were clearly concerned about the seriousness of the problem and in favour of continuing to bring pressure to bear on the United States Government, through both bilateral and multilateral channels, to ensure that it fulfilled its international obligations. The approach taken should, however, be realistic. There were varying opinions about the viability of the proposed options, notably the establishment of a contact group, with some delegations calling for more time to consider its feasibility and mandate. A preference had been expressed for political pressure, the legal options having received no explicit support. He consequently suggested that the issue be further considered in informal consultations.

30. **Mr. SANDIGA CABRERA** (Peru) sought confirmation of his understanding that the draft legislation pending before the United States Congress explicitly excluded UNIDO from future payment. Some clarification was needed of the reasoning behind that decision and of the intentions of the Congress regarding UNIDO.

31. **The PRESIDENT** confirmed that understanding, since the legislation had not yet been finally approved, however, it was premature to debate on the reasoning behind that position.

32. **Mr. HALIM MOHAMED** (Sudan) said that the informal consultations group should be given clear directives. It should not reopen the discussion on options that had received no support, such as the proposed legal options. Since the draft legislation before the United States Congress was still in the making, the focus should be on how best to use the time until it was passed, which left only two options: either to form a contact group, determine its mandate and ask it to act immediately, or to authorize the Director-General to initiate further contacts without delay.

33. **The PRESIDENT** agreed that the outcome of the informal consultations should be a proposal, acceptable to all, for a formal decision on the action to be taken. The informal consultations group should determine whether Member States were prepared to establish a group of some kind, what mandate it should have and whether it should seek direct contact with the United States authorities or act as an advisory group for the Director-General.

34. **Mr. BENMOUSSA** (Morocco) thought that there was no need to establish a new group, since one already existed in the form of the intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions, which could be asked to advise the Director-General. It emerged from the discussion that, although there was general agreement that

the United States Government owed its arrears and must pay, the Board was not in a position to determine what action should be taken. The appropriate forum for a formal decision was the General Conference. Pressure should be maintained on the United States Government, through all appropriate means, to induce it to honour its obligations, bearing in mind the caution that should be exercised in view of the very special position of the United States and the large amounts owed.

FUTURE ROLE AND FUNCTIONS OF UNIDO (IDB.18/17)

35. **The PRESIDENT**, speaking as Chairman of the intersessional working group on the future role and functions of UNIDO, drew attention to its report (IDB.18/17) and reminded the Board that the revised proposals on the programme and budgets for 1998-1999 (IDB.18/15/6) had been adopted by the Programme and Budget Committee at its resumed thirteenth session. He asked whether the Board wished to consider that the inter-sessional working group had completed its work. Some delegations had referred in their general statements to the performance indicators system as a useful topic for discussion by the working group.

36. **Mr. BARBU** (Romania), endorsing the statement made by the representative of Luxembourg on behalf of the European Union, said that UNIDO could better perform the important roles it had been entrusted with by Member States in the Business Plan if it concentrated on a reduced number of domains, but that budget cuts beyond 20 per cent should be avoided to the extent possible.

37. In a context of change in Romania, his country remained committed to international cooperation. Its experience with UNIDO during the 20 years of existence of the Joint UNIDO-Romania Centre had been highly positive. UNIDO had shown its capacity to understand the country's priorities and tailor projects accordingly. Examples were projects funded by the Multilateral Fund for the Implementation of the Montreal Protocol, the project for the promotion of small and medium enterprises, which had led to the establishment of a national business counselling and training network, and technical assistance projects in such fields as metallurgy and the chemical industry. At the current stage of the transition process, Romania would especially welcome UNIDO projects in investment promotion, industrial information and networking and environmental protection. UNIDO should have the necessary financial and human resources to attain its objectives in the area of sustainable industrial development and Romania therefore supported the idea of funds mobilization from the private sector.

38. **Mr. FABIJANSKI** (Poland) said that, at the present important juncture, his delegation wished to stress its support for the Organization's objectives and for the thrust of the proposed reforms, as well as its confidence in the Director-General's ability to bring about the much needed radical changes.

39. The reform of an international organization of a universal character was necessarily dependent on international conditions. Two factors in particular had complicated the task facing the Director-General, the first being the doubts prevailing in some quarters about the Organization's very *raison d'être*, and the general uncertainty regarding its future, and the second its financial predicament due to the non-payment of assessed contributions by major contributors and the poor paying discipline of many other Member States.

40. Regarding the first factor, he reiterated his country's strong support for UNIDO based on the philosophy that, without forgoing constructive criticism, it was essential to seek effective joint solutions to problems rather than renouncing responsibility for a common cause. Because of the cardinal importance of industrialization and international industrial cooperation for the development of developing countries and countries in transition, UNIDO had a vital role to play within the United Nations system. Multilateral efforts channelled through the Organization had helped countries in both those categories to adjust to the new global situation. Poland greatly appreciated the support it had received itself from UNIDO, but realized that its rapid progress in terms of industrialization would set limits on such assistance in the future. His country also had a profound interest in increasing international industrial cooperation with developing countries through UNIDO and particularly supported its activities with regard to industrial modernization, supporting sustainable industrial development, assisting the restructuring of enterprises and promoting small and medium-sized enterprises in areas in which cooperation between UNIDO and Poland had been highly successful. While continuing to support UNIDO's industrial promotion activities in general, his country considered that the Organization should continually adjust its priorities and programmes to the changing needs and expectations of Member States, both globally and regionally, and be able to respond more flexibly to the evolving international environment characterized by globalization.

41. With regard to the current financial situation, he appreciated the difficulty of planning UNIDO's activities for the next biennium, especially in view of the problem of separation costs, but stressed that the positive attitude

of Member States towards the Organization should be reflected not just in verbal support and interest in receiving assistance but also in the full and timely payment of contributions. Poland fulfilled its obligations fully and on time and was not prepared to make up the debts of other Member States. It fully supported all initiatives aimed at strengthening paying discipline among Member States and solving the crucial question of arrears.

42. Concerning the withdrawal of the United States from the Organization, his delegation generally supported the approaches discussed in document IDB.18/18 and proposed that negotiations be held with the United States Government and Congress; Member States could then decide how to proceed further. The establishment of a contact group would be a valuable first step in that direction and its negotiations might be supported by other, parallel approaches, including bilateral contacts, directed towards influencing the United States Government.

43. Finally, he noted with satisfaction a number of encouraging trends resulting from the reform process, including the greater thematic concentration of programmes, the progress achieved in programmes dealing with the environmental aspects of growth, the increased role of UNIDO's services to small and medium-sized enterprises, the greater focus on Africa and the LDCs in general, the enhanced role of the private sector as a partner in cooperation, the introduction of cost-saving measures and procedures in various spheres and the more selective orientation of investment promotion activities. He trusted that those changes, still in a preliminary stage at present, would be followed up in the next biennium by a leaner and more efficient UNIDO enjoying the support of Poland and most of the Member States represented at the current session of the Board, who would all do their best to lead the Organization into a successful and brighter future.

44. **Mr. DE LEZICA** (Argentina) said that the process of reform would necessarily oblige UNIDO to face new situations, not only because of the additional mandate assigned to it by the Secretary-General of the United Nations, but also because the wishes of Member States, as expressed in the Business Plan, were bringing about the re-creation of the Organization and a reassessment of its future.

45. In that connection, Member States had a key role to play in formulating criteria for restructuring the Organization in order to guarantee its ability to fulfil its mandate properly as it entered the twenty-first century.

46. For those reasons, his delegation supported the maintenance of the intersessional working group on the future role and functions of UNIDO on the basis that the group's work would make a significant contribution towards establishing the new structure planned for the Organization and towards formulating the performance indicators, viewed as a major new component of its reform.

47. **Mr. BOURITA** (Morocco) stressed the important role played by the intersessional working group in UNIDO's reform process and its success in preparing a Business Plan, which had been the result of consensus in the group and provided a suitable framework for UNIDO's future activities.

48. The same working group was now also the best forum for initiating discussions on the Organization's budget, while at the same time providing a flexible and effective framework for close cooperation between Member States and the Secretariat with regard to the various aspects of the reform process. One such aspect, the qualitative and quantitative performance indicators, would greatly facilitate communication between the Secretariat, Member States and the public at large, while also providing a means of monitoring the Organization's activities and assessing their results. The second major subject for discussion by the group might be the External Auditor's report, which contained information and comments closely linked to the reform exercise and the question of improved internal management. The group might discuss the report, possibly in the presence of the Auditor, and make recommendations to the Secretariat on how best to introduce improvements in the daily management of the Organization.

49. **Mr. BREITER** (Switzerland) reiterated his delegation's conviction that a system of output-oriented performance indicators should be further developed. While fully appreciating that the new leadership needed time to adapt to the new situation and become acquainted with the detailed problems involved in running the Organization, he felt that the current momentum should be maintained and that the preparatory work done so far should be put to good use without delay. That could be accomplished within the framework of the intersessional working group, which had worked very efficiently in the past.

50. **Mrs. OK** (Turkey) expressed her delegation's appreciation for the efforts undertaken to establish a set of performance indicators for monitoring the reform of the Organization, including its performance, and for assessing the implications of the reform process for the future. Her country looked forward to seeing a UNIDO with a completely new management and outlook. It expected the new Director-General to pursue a "clean hands" policy and, in line with the corresponding new approach of the United Nations Secretary-General, expected UNIDO's

External Auditors to concentrate their efforts on cases of mismanagement and financial irregularity, reacting to them promptly so that any such cases could be exposed and condemned. Finally, it expected transparency, goodwill and close dialogue with other Member States.

51. **Mr. DE MARIA Y CAMPOS** (Director-General) informed the Board that two important assignments had now been completed and a third, which had been pending for a long time, was now under way. The first of the completed assignments was a manual of procurement practices, which was a review requested by the External Auditors for the purpose of achieving greater efficiency and more effective accountability. The second was an important manual on investment promotion which for the first time established clearly defined procedures regulating the relationship between investment promotion offices and Headquarters. In that regard, it was also hoped to promote adequate networking with such offices in developing countries.

52. The third project pertained to the formulation of new procedures for field representation and for cooperation between UNIDO's field offices and its investment promotion offices. It was planned to launch pilot projects in countries such as China in which the Organization had both kinds of office, thus yielding synergies for the benefit of the particular countries concerned as well as other Member States.

53. The thoroughgoing work involved in such publications and projects was a vital part of the highly complex process of reform and their success was due to the devotion of colleagues, to whom he expressed his sincere gratitude.

54. **The PRESIDENT**, summing up the discussion, noted the recurrent theme of support for maintaining the intersessional working group as a valuable tool for ensuring permanent working contact between Member States and the Secretariat. It was also seen as a useful forum for discussing issues related to reform, identifying areas of agreement and facilitating the formulation of proposals. Several delegations had felt that possible points for discussion by such a group might be the Organization's new structure, the formulation of performance indicators and the improvement, on the basis of the External Auditor's report, of internal management processes and other related measures. He proposed that the current item also be referred to the scheduled informal consultations with a view to the formulation of brief decisions providing a mandate for continuation of the work of the inter-sessional working group.

55. *It was so agreed.*

RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL (*continued*) (IDB.18/6 and Add.1, IDB.18/7, IDB.18/L.4)

56. **The PRESIDENT** recalled that the decision on the terms and conditions of appointment of the Director-General had been deferred to the present session at the request of one member of the Board, following adoption of the recommendation of a candidate for the post of Director-General at the first part of the eighteenth session. The Board now had before it document IDB.18/L.4 — a draft decision on the current item containing the text discussed during the first part of the eighteenth session (IDB.18/8, annex). If there were no objections, he would take it that the Board wished to adopt the draft decision contained in document IDB.18/L.4.

57. *It was so decided.*

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.18/19)

58. **Mr. PAPULI** (Acting Secretary, Policy-making Organs) introduced document IDB.18/19, drawing attention to the importance of orderly preparations for the General Conference. For previous sessions of the Conference an informal contact group had been established early in the year for the purpose of their preparation. The special circumstances prevailing during the current year had prevented the establishment of such a group. However, in view of the organizational aspects to be considered in preparation for the Conference, due to take place in less than two weeks' time, the President of the Board intended to organize an informal meeting on Friday, 21 November, for the purpose, in particular, of examining the schedule proposed for the Conference, the grouping of agenda items and the establishment of the Main Committee. Any recommendations emanating from that meeting could be forwarded to the Conference and provide a basis for its work.

59. **The PRESIDENT** stressed the vital importance, in view of the short time remaining before the General Conference, of efficient organization, close cooperation between the Secretariat and the chairmen of regional groups and the active participation of Member States in the informal consultations planned for the discussion of organizational and procedural matters and the formulation of recommendations to be forwarded to the Conference.

60. **Mr. AHMADI** (Islamic Republic of Iran) suggested that, as agreed in discussions within the Group of 77, a new item on field representation should be included on the agenda of the General Conference.

61. **Mr. BOURITA** (Morocco), supporting the previous speaker's suggestion, emphasized the importance of field representation in the process of reform. As the supreme body of UNIDO, the General Conference should certainly give consideration to that new orientation of the Organization's work.

62. The important issue of the withdrawal of the United States of America from UNIDO should also be included on the agenda of the General Conference, since the Board's discussions during its current meeting had indicated the possibility that the Conference might be able to formulate a resolution on the matter.

63. **The PRESIDENT** proposed that the Board refer the matter to informal consultations to be held the following day for the purpose of considering adoption of the draft decision contained in paragraph 5 of document IDB.18/19.

64. *It was so agreed.*

The meeting rose at 5.35 p.m.

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United Nations Industrial Development Organization

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Industrial Development Board

Resumed eighteenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 19 November 1997, at 11 a.m.

President: Mr. POSTA (Hungary)

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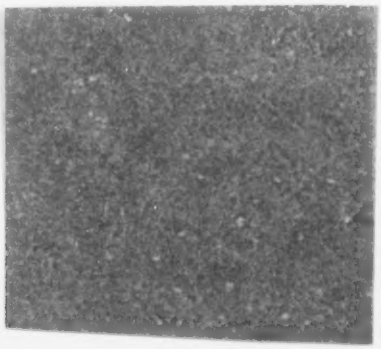

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The meeting was called to order at 12.20 p.m.

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (IDB.18/16 and Add.1 and 2)

1. **Mr. MACHADO** (Director, Technology Service) said that the International Centre for Science and High Technology (ICS) had become fully operational in June 1996 through an Italian contribution of $9 million to cover the financial years 1995-1996. The work programme and budget for 1996-1997 had been approved by the Director-General of UNIDO in July 1996, following the recommendations of the ICS Steering Committee, as provided for in the Institutional Agreement.

2. During the project preparatory stages, in the beginning of 1994 and coinciding with the first phase of UNIDO's restructuring, the Italian Government and UNIDO had agreed to carry out an assessment of the ICS programme and activities in order to provide guidelines on the Centre's future development. The assessment team, consisting of representatives of the Italian Government and UNIDO, had recommended firstly, greater integration of activities, through focusing of the work of the ICS in areas more closely related to UNIDO's objectives. It had also recommended that technologists in industry and research and development institutions in developing countries should be the main ICS targets, and that a formal survey be conducted of demand in developing countries for the training of scientists and researchers in industry and industrial institutes, with UNIDO's direct assistance. At its first session, the ICS Steering Committee had defined technology transfer as the Centre's main mission.

3. Implementation of the first biennial work programme had begun in August 1996, taking some of the above recommendations into account and focusing on the areas of chemistry, Earth and the environment, and high-technology areas such as composite materials, lasers and optical fibres.

4. The Centre's main mission—promotion of and assistance in technology transfer—was in line with the objectives and priorities of UNIDO. Substantive complementarities and synergies had been achieved, and UNIDO staff in Vienna were currently helping to implement a set of new products and services. That would help to identify demand from developing countries for the training, research and technology transfer activities of the Centre.

5. Since August 1996, there had been 30 training workshops or awareness-building seminars and 20 high-level meetings and seminars, and over 1,000 experts, researchers, industrialists or technologists had been involved as lecturers or participants in such activities. Several guidelines relating to technology transfer would soon be finalized. Many commitments had been entered into with identified counterparts in different developing countries, and scheduled activities were pending in Indonesia, the Philippines, Viet Nam, Thailand, Malaysia, the Czech Republic, Brazil, the Islamic Republic of Iran, Poland, Hungary, Slovakia, Slovenia, Mexico, India, Tunisia, Egypt, Russian Federation and other countries.

6. In March 1997, six months after formally starting operations, the Italian Ministry of Foreign Affairs had submitted a request to UNIDO for a possible transfer of the ICS from UNIDO to UNESCO. The funds earmarked up to December 1998 amounted to approximately $11 million. Some programmed activities for 1996-1997, as well as new commitments, could only be implemented if included in the 1998 work programme.

7. The ICS had been established by the UNIDO General Conference in November 1991 and was, in terms of scope and resources, the Organization's most important project. Its transfer would further undermine UNIDO's programmes. The Director-General was sure that a consensus solution on the future of the ICS could be found within the present legal framework.

8. **Mr. MANNO** (Italy) said that, in recent years, the Italian Government had been seeking greater rationalization of the United Nations institutions based in Italy by promoting the concentration of similar activities within the same organizations and trying to avoid duplication (see the views of the Italian Government presented in document IDB.18/16/Add.2). It was therefore his Government's intention to promote, in close agreement with the international organizations concerned, a transfer of the ICS to the legal framework of UNESCO. Italy was convinced that such a transfer would allow greater synergies to be achieved among the institutions of the Trieste Scientific Pole, which included the International Centre for Theoretical Physics (ICTP), the International Centre for Genetic Engineering and Biotechnology (ICGEB), the Third World Academy of Science and the ICS. Some of those institutions were set up within the legal framework of UNESCO; ICGEB was a separate organization with its own decision-making organs. His Government was firmly convinced that inclusion of the ICS in the UNESCO framework would promote an even more successful integration between training and research activities, and enable the ICS to further develop its own research component in the interests of the developing countries.

9. In the context of the ongoing reform process in UNIDO, the Business Plan adopted by the Board at its

seventeenth session (see decision IDB.17/Dec.2 in document GC.7/5, annex I) called for the discontinuation of a number of activities, including "research and industrial studies which are not clearly target-oriented" and the "promotion of advanced technologies without proven industrial use". At present, the ICS was primarily devoted to training people from scientific and technological institutions and to networking research and development centres, while it had only a very limited capacity to develop its own research potential. Within the institutional framework of UNESCO, the ICS could further develop its core research component, while continuing to implement, in close collaboration with UNIDO, the work programme relating to technology transfer and management of industrial innovation.

10. The UNIDO international technology centres came under Subprogramme C.1.2 (Technological capacity-building), whose objective was to assist institutions and, through those institutions, industrial enterprises in recipient countries in their efforts to identify, develop, adapt and utilize industrial technologies, thus encouraging investment. UNIDO's role was to provide a mechanism for linking technology promotion with investment opportunities; within the framework of UNESCO, the ICS would be in a better position to attract resources for research.

11. Italy, in close cooperation with the UNIDO Secretariat, was submitting a proposal for a mutually agreed transfer of the ICS to UNESCO. The Board and, in turn, the General Conference, were asked to give UNIDO the necessary mandate for the adoption of an agreement between UNIDO and UNESCO to develop their future collaboration in that context. The proposal should not be taken as implying an unfavourable evaluation of the UNIDO management: it was a strategic decision, solely based upon criteria of efficiency and harmonization with similar institutions operating within UNESCO. Close cooperation between UNESCO and UNIDO would continue, especially in the implementation of ICS work programmes.

12. In order to facilitate the transition to the new institutional setting, and to maintain the continuity of ongoing ICS activities, Italy was willing to enter into a tripartite arrangement with UNIDO and UNESCO establishing the framework for fruitful partnership between the two sister organizations in the spirit of the reform of the United Nations system.

13. In addition to its annual contribution to the ICS, amounting to approximately $4.5 million, Italy would continue to support UNIDO's work on the development and management of industrial technologies in priority areas under the Business Plan in order to enhance UNIDO's capacity to interact with the ICS in an effective manner.

14. **Mr. ABTAHI** (Observer for United Nations Educational, Scientific and Cultural Organization) said that UNESCO took note of the Italian Government's wish to further harmonize the institutions of the Trieste Scientific Pole by the proposed transfer of the ICS to UNESCO. The Director-General of UNESCO had reacted favourably to that proposal, in view of the close relevance of ICS activities to some of UNESCO's scientific programmes. The necessary consultations had been initiated and the Organization's Executive Board had been informed accordingly, but any further action would take due account of the decision of the IDB.

15. In view of UNESCO's firm commitment to close inter-agency cooperation, every effort would be made to ensure dynamic interaction with UNIDO in the fields of competence of the ICS both before and after the proposed transfer, if it took place.

16. **Mr. AHMADI** (Islamic Republic of Iran) said that one of the important objectives of the ICS was to provide conditions and structures for the professional promotion of scientists and technicians of developing countries. The relevant activities included research, the conduct of workshops and scientific meetings, cooperation on a scheme of visiting scientists and associates, advisory services and cooperation with industry, all of which were in line with the aim of promoting the industrial development of developing countries, and took into account the framework of the Organization's Business Plan.

17. In the light of the excellent spirit of cooperation that had prevailed between UNIDO, the Italian authorities and the beneficiaries, his delegation suggested that the Italian Government conclude a tripartite agreement with UNIDO and UNESCO, similar to the agreement concluded previously in the case of ICTP. However, in view of existing commitments and current activities as well as the relevant legal issues, appropriate transitional arrangements should be thoroughly considered.

18. **Ms. BATACLAN** (Philippines) said that the ICS performed a very important supportive role in UNIDO's activities in the priority areas of technology transfer, applied research and development and training, which were major components in the promotion of industrialization in developing countries. It would therefore be appropriate for the Centre to remain institutionally linked with UNIDO as foreseen in the Institutional Agreement. The Centre's role was particularly crucial in implementing the new UNIDO Business Plan.

19. Having benefited from ICS projects, her country acknowledged with appreciation the valuable support of the Italian Government for both the ICS and UNIDO, and hoped that that support would be continued.

20. **Mr. HALIM MOHAMED** (Sudan), acknowledging the excellent work done by the Centre and its services to developing countries so far, observed that a draft resolution had been circulated during the informal consultations under which the Conference would be asked to take note of the ending of the agreement between the Italian Government and UNIDO. In order to ensure that cooperation between UNIDO and the Centre maintained a sound institutional basis, guaranteeing that both training and research would continue as primary functions of the Centre, it might be better to consider changing the existing agreement into a tripartite one rather than ending it.

21. **Mr. BENMOUSSA** (Morocco) said that in view of the considerable results achieved by the Centre in developing countries in the area of transfer of technology, human resources and the promotion of research and development, the Centre should logically be funded by UNIDO as well as the Italian Government. Whatever solution was decided upon, there would be a change in the legal status of the Centre. The simplest solution would be for the Centre to continue on the basis of its agreement with UNIDO and a further agreement with UNESCO. Another possibility would be to follow the example of the International Centre for Theoretical Physics and conclude a tripartite agreement between UNIDO, UNESCO and the Italian Government. Such an agreement would need to cover the question of joint management. The change would provide an opportunity for countries to consider making additional contributions.

22. **Mr. GRISHAEV** (Russian Federation) said that the Russian Federation, as a country with an economy in transition, was very interested in making use of UNIDO's services, including those relating to ICS activities. His country had welcomed the setting up of the ICS to help solve problems of developing countries and countries in transition. The programmes for reorganization of scientific and technological institutes and centres for countries in transition, and their organization into global networks in order to strengthen industrial links, were of particular interest.

23. The ICS expert assessment carried out in two large Russian State scientific centres had been of significant practical help in developing specific plans for their reorganization and adaptation to market conditions. It was vital that any possible changes in the status of the ICS should not affect the implementation of any current or agreed future programmes, including any in Russia.

24. He hoped that the proposed tripartite agreement would help to solve any problems. His delegation was prepared to continue its cooperation with UNIDO on the priority activities of the ICS.

25. **Mr. AMROHI** (India) said that it would be useful to know how ongoing projects and those proposed for the new biennium would be affected in the event of a decision to transfer the Centre to UNESCO. He understood that ongoing projects would be safeguarded, and that a process for concluding a tripartite agreement between the Centre, UNESCO and UNIDO would be initiated, covering areas for future cooperation under the Business Plan. If that was so, the interests of the developing countries would be well protected as far as the Centre was concerned, and the proposal could be supported.

26. **Mr. DE CABRAL MONCADA** (Portugal) said that his delegation fully supported the approach taken by the Italian Government.

27. **Mr. KHALIL** (Tunisia) said that, in view of the desire for greater synergy and the compatibility between the work of the ICS and UNESCO, developing countries would undoubtedly benefit from the transfer to UNESCO. Italy's position was logical and it had been made clear that cooperation with UNIDO would not be discontinued. However, it would be better for the Board to decide first on the relationship between the Centre and UNIDO and then on the conclusion of a tripartite agreement between Italy, UNESCO and UNIDO.

28. **Mr. MANNO** (Italy) said that the reasons why the Italian Government had decided to transfer the ICS to UNESCO had been clearly set forth in a letter from the Italian Foreign Minister to the Director-General. The aim was to create a unique scientific pole in Trieste, where the International Centre for Theoretical Physics and other centres were already located and operated within the legal framework of UNESCO. The reasons for the transfer were entirely objective and in no way implied a criticism of UNIDO's management. In addition, the transfer would achieve greater harmonization between the institutions in Trieste and would better reflect the priorities of the Business Plan adopted by Member States. The research potential of the ICS could be developed through UNESCO while the ongoing projects relating to industrial technology could continue to be implemented in close collaboration with UNIDO.

29. The expression "ending of the agreement" did not imply that the Italian Government would cease cooperation with the ICS. The draft decision circulated was self-explanatory as it stood.

30. **Mr. DE MARIA Y CAMPOS** (Director-General) emphasized the excellent cooperation between Italy and UNIDO in many areas, particularly in the field of technological development. Italy's readiness to support other projects for capacity-building for technological development in priority areas was welcome.

31. There was no reason why the present agreement could not be modified and a tripartite arrangement established. There would be no interruption in programme activities, and projects in the pipeline would also be covered. The Steering Committee had already considered the possibility of a meeting in Trieste by 15 December; a follow-up meeting in Vienna or elsewhere could also be arranged. In view of the good relations which had always existed between UNIDO and UNESCO, the arrangement between the two Organizations should present no difficulty. The wording of the resolution to be adopted was nevertheless important.

32. **The PRESIDENT**, summing up, noted that there had been positive appreciation of the work of the Centre, and the usefulness of its activities for Member States had been underlined. There had been wide recognition of the contribution of the Italian Government to creating the necessary conditions for the operation of the Centre, and there had been a common feeling that the Centre, irrespective of its organizational structure, should play an important role in the future for Member States of UNIDO. The future organizational arrangements should not affect ongoing projects and their usefulness to UNIDO Member States.

33. There had been a proposal for modifying the existing agreement and concluding a tripartite agreement. He suggested that the draft resolution circulated should be the subject of further consultations.

34. **Mr. MANNO** (Italy) emphasized his Government's commitment to implementing the ongoing projects and to continuing its cooperation with UNIDO. In addition to asking the General Conference to take note of the ending of the agreement between UNIDO and the Italian Government, the draft resolution might mention Italy's commitment to enter into a tripartite arrangement with UNESCO and UNIDO for the future operation of the ICS.

35. **The PRESIDENT** said that, as a common understanding appeared to be emerging, the drafting of a text could be left to informal consultations.

The meeting rose at 1.25 p.m.

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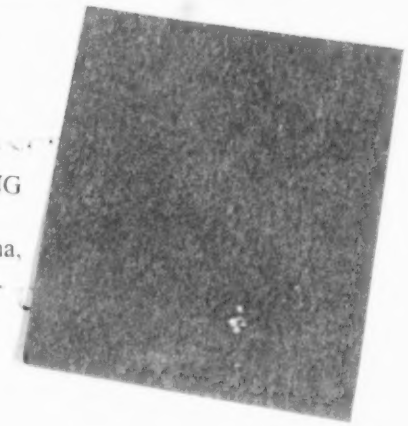

Resumed eighteenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 19 November 1997, at 5 p.m.

President: Mr. POSTA (Hungary)

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The meeting was called to order at 5.30 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.18/L.5-L.11 and IDB.18/L.13-L.18)

1. **The PRESIDENT** said that agenda items 4-8 were still open for the adoption of decisions. A number of draft decisions, most of which had already been discussed in the informal consultations, were now before the Board for consideration (IDB.18/L.5-L.11 and IDB.18/L.13-L.18).

2. **Mr. HALIM MOHAMED** (Sudan), speaking as chairman of the informal consultations, said that a strong spirit of cooperation had prevailed in the three meetings of the informal consultations at the present resumed session. A particular characteristic had been the speed with which consensus had been achieved on the 11 texts discussed. Indeed, the first meeting had required some 10 minutes to agree on six texts concerning sub-items 4 (a), (d), (e), (f), (g) and (h) recommended by the Programme and Budget Committee (PBC).

3. The recommendation concerning the programme and budgets for 1998-1999, under sub-item 4 (c), had been provisionally agreed upon, pending the outcome of the PBC's meeting earlier in the day. Paragraph (e) had subsequently been added to the relevant draft decision (IDB.18/L.11) in order to address concerns expressed by some Member States with regard to enhancing the flexibility of the Director-General in implementing the programme and budgets. Owing to time constraints, a further paragraph which had been agreed upon in the informal consultations, on the basis of wording employed by the PBC in paragraph (f) of its conclusion 97/10, did not appear in the text of the draft decision. That paragraph read: "There was a generally held view in the Board that, in the light of the significant budget reductions already made, any further reductions in the 1998-1999 or future budgets would seriously impair the capacity of UNIDO to fulfil its mandate".

4. The second meeting of the informal consultations had considered texts drawn up on the basis of discussions in the plenary concerning items 4 (i), 5 and 6. Its final meeting had examined the draft decision submitted by Italy under item 7, which had resulted in the text contained in document IDB.18/L.18.

5. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.18/2 and Add.1):

(a) SCALE OF ASSESSMENTS (*continued*) (IDB.18/13, IDB.18/L.6)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (*continued*) (IDB.18/4)

(c) PROGRAMME AND BUDGETS, 1998-1999 (*continued*) (IDB.18/15/5/Rev.1, IDB.18/15/6, IDB.18/L.11, IDB.18/L.19)

(d) FINANCIAL REGULATIONS AND FINANCIAL RULES (*continued*) (IDB.18/8, IDB.18/12, IDB.18/L.5)

(e) WORKING CAPITAL FUND (*continued*) (IDB.18/10, IDB.18/L.7)

(f) **APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.18/2, IDB.18/L.8)

(g) **FINANCIAL SITUATION OF UNIDO** (*continued*) (IDB.18/3, IDB.18/5, IDB.18/14, IDB.18/20, IDB.18/CRP.2, IDB.18/CRP.3, IDB.18/CRP.4, IDB.18/L.9)

(h) **INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** (*continued*) (IDB.18/9, IDB.18/L.10)

(i) **WITHDRAWAL OF THE UNITED STATES OF AMERICA** (*continued*) (IDB.18/11, IDB.18/18, IDB.18/L.9, IDB.18/L.17)

6. **The PRESIDENT** drew attention to draft decision IDB.18/L.6 on sub-item (a), "Scale of assessments".

7. *The draft decision was adopted.*

8. **The PRESIDENT** said that no draft decision had been submitted on sub-item (b). He proposed that the Board take note of the documentation provided by the Director-General on the subject.

9. *It was so decided.*

10. **The PRESIDENT** drew attention to draft decision IDB.18/L.11 on sub-item (c), "Programme and budgets, 1998-1999", recalling that the text before the Board did not contain the additional paragraph agreed upon in the informal consultations and read out by the chairman of those consultations.

11. *The draft decision, as orally amended, was adopted.*

12. **The PRESIDENT** drew attention to draft decision IDB.18/L.19, also on sub-item (c), entitled "Personnel and related financial implications of the proposed budget reductions", which was being submitted to the Board by the Chairman of the PBC.

13. **Mr. SOROUR** (Egypt), having obtained clarification from **Mr. KHALIL** (Tunisia) regarding the reasons for the condition imposed in paragraph (d) (iii) of the draft decision, said that although he was aware of the agreement permitting Member States to give voluntary contributions in an amount not in excess of 20 per cent of their 1997 assessed contribution, he himself believed that no limit, whether lower or upper, should be set on voluntary contributions. He was nevertheless prepared to accept the draft decision in its present wording.

14. *The draft decision was adopted.*

15. **The PRESIDENT** drew attention to draft decision IDB.18/L.5 on sub-item (d), "Financial regulations and financial rules".

16. *The draft decision was adopted.*

17. **The PRESIDENT** drew attention to draft decision IDB.18/L.7 on sub-item (e), "Working Capital Fund".

18. *The draft decision was adopted.*

19. **The PRESIDENT** drew attention to draft decision IDB.18/L.8 on sub-item (f), "Appointment of an External Auditor".

20. *The draft decision was adopted.*

21. **The PRESIDENT** drew attention to draft decision IDB.18/L.9 on sub-item (g), "Financial situation of UNIDO", and sub-item (i), "Withdrawal of the United States of America".

22. **Mr. CHOI** (Republic of Korea) said that the draft decision should be discussed in conjunction with another draft decision that related to sub-item (i) and which was being submitted to the Board as document IDB.18/L.17. Since there was some duplication between the texts, it might be appropriate to combine them or delete the unnecessary parts.

23. **Mr. UMER** (Pakistan) said that the two texts dealt with two separate issues: on the one hand, the Organization's general financial situation and the action required of Member States in arrears, and on the other, the specific need to adopt one or more of the options, as set out in the report of the Director-General (IDB.18/18), for the collection of one Member State's arrears.

24. **Mr. HALIM MOHAMED** (Sudan) endorsed the remarks of the previous speaker. Draft decision IDB.18/L.9 was concerned with the collection of unpaid assessed contributions in general, while draft decision IDB.18/L.17 dealt with the collection mechanism, its paragraph (d) indicating that the various recovery options would be considered further by the General Conference.

25. **Mr. BENMOUSSA** (Morocco) agreed. Draft decision IDB.18/L.9 was not new; it set out a principle for general application, and it was important that the text be renewed by the Board at its current session. Draft decision IDB.18/L.17 had the nature of an internal document. The problem of duplication could perhaps be overcome by deleting the whole of paragraph (c) of document IDB.18/L.17 or alternatively by replacing the words "Urges the United States Government to comply" at the beginning of that paragraph by "Reaffirms the need for all States to comply".

26. **Mr. CHOI** (Republic of Korea) said that his delegation had no difficulty in agreeing to the adoption of two separate decisions. However, the duplication between paragraph (f) of document IDB.18/L.9 and paragraph (c) of document IDB.18/L.17 needed to be eliminated. His preference was for the deletion of paragraph (c) in document IDB.18/L.17 since that text constituted a preliminary decision to be issued pending the adoption of a more detailed decision by the General Conference following its discussion of the options for recovery of the United States Government's debt.

27. **Mr. UMER** (Pakistan) said that his delegation could agree to the deletion of paragraph (c). It had emerged that the difficulty in collecting the debt lay with Congress and that Congress might prohibit the Administration from settling the arrears. Concrete ideas on how to recover the outstanding contributions could have emerged by the time of the next General Conference session.

28. **Ms. OK** (Turkey) said that she would prefer to have no decision adopted on sub-item (i) at the current session. It would be more logical for a decision on the matter to be drafted by the General Conference once agreement had been reached regarding the options to be pursued.

29. **Mr. HALIM MOHAMED** (Sudan) said that, in his view, it was preferable to delete paragraph (c). The alternative wording suggested by the representative of Morocco would be a repetition of paragraph (e) in document IDB.18/L.9.

30. **Ms. BATACLAN** (Philippines) said that her delegation was in favour of having two separate decisions. It preferred to retain the wording of paragraph (c) of document IDB.18/L.17, with its entreaty to the United States Government. The Board was exercising a political rather than a legal option and, with such a strategy, there was no harm in stating the point more than once.

31. **Mr. SALAZAR** (Observer for Venezuela) felt that the duplication should be avoided. He proposed that paragraph (c) of document IDB.18/L.17 be deleted and that the reason for the preparation of the Director-General's report be included in the text of that decision by adding, at the end of paragraph (a), the phrase ", submitted in accordance with decision IDB.17/Dec.3".

32. **The PRESIDENT** said that he took it that the Board wished to adopt draft decision IDB.18/L.9 without amendment.

33. *It was so decided.*

34. *The draft decision was adopted.*

35. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt draft decision IDB.18/L.17 with paragraph (c) deleted.

36. *It was so decided.*

37. *The draft decision, as amended, was adopted.*

38. **The PRESIDENT** said that, on the basis of consultations with representatives of regional groups and individual Member States, Ambassador Benmoussa of Morocco had stated his readiness to take over the function of the chairmanship of the inter-sessional open-ended discussion group on timely payment of assessed contributions. If he heard no objections, he would take it that the Board wished to request Ambassador Benmoussa to assume that task.

39. *It was so decided.*

40. **The PRESIDENT** drew attention to draft decision IDB.18/L.10 on sub-item (h), "Industrial Development Fund and other voluntary contributions".

41. *The draft decision was adopted.*

FUTURE ROLE AND FUNCTIONS OF UNIDO (*continued*) (IDB.18/17, IDB.18/L.16)

42. **The PRESIDENT** drew attention to draft decision IDB.18/L.16.

43. *The draft decision was adopted.*

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.18/L.13)

44. **The PRESIDENT** drew attention to draft decision IDB.18/L.13, pointing out that a blank space had been left in paragraph (d) pending agreement on the chairmanship of the additional formal meeting planned for the following week. The Vice-President of the Board, Ambassador Velazco San José of Cuba, had kindly agreed to assume that duty in case any draft decisions remained to be discussed in preparation for the General Conference session. If he heard no objections, he would take it that the Board wished to adopt the draft decision on that understanding.

45. *It was so decided.*

46. *The draft decision, as amended, was adopted.*

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (*continued*) (IDB.18/16 and Add.1 and 2, IDB.18/L.18)

47. **The PRESIDENT** drew attention to draft decision IDB.18/L.18 entitled "International Centre for Science and High Technology (ICS)".

48. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE NINETEENTH SESSION (IDB.18/CRP.6, IDB.18/L.14, IDB.18/L.15)

49. **Mr. PAPULI** (Acting Secretary, Policy-making Organs), introducing the item, said that document IDB.18/CRP.6 had been prepared in order to draw the Board's attention to a number of issues, the main one relating to the extremely scarce resources available for the policy-making organs as a result of the budget cuts, meaning in practical terms a 50 per cent reduction in the number of days available for sessions of the PBC and the Board during the next biennium, i.e. from 30 working days to 15. Owing to the nature of certain subjects to be taken up during the biennium, the number of sessions would have to remain the same but their duration would need to be shortened. The Secretariat wished to propose that the Board maintain its pattern of holding two sessions in years when the General Conference did not meet: one in May-June for three days, and one later in the year, for two days, following the PBC session. In years when the General Conference met, the Board would hold one session of four days' duration, after the PBC session. The PBC would hold one three-day session each year.

50. The new arrangements would mean that a similar number of subjects would have to be discussed in a much shorter time. In the coming biennium, the work of the Board and the PBC would have to be streamlined, with far more reliance on the mechanism of intersessional consultations than in the past. Most of the in-session consultations might have to be brought forward as pre-session consultations, without interpretation facilities. Consideration would have to be given to measures to be introduced in order to limit the length of debates in the plenary.

51. One serious problem related to the fact that, despite a reduction in the duration of the sessions, there would be no days in reserve and thus no possibility of accommodating resumed or special sessions, regardless of how short they were. In the current year, there had been six unforeseen sessions.

52. Document IDB.18/CRP.6 contained proposed dates for the 1998 sessions of the PBC and the Board, as well as the provisional agenda for the next session of the Board; that agenda was based on the pattern of previous bienniums and might have to be adjusted to reflect mandates emanating from the General Conference.

53. It also contained a proposal for amendments to a previous decision of the Board (IDB.5/Dec.46) on the conduct of its business, in order to bring that decision into line with the current realities.

54. **The PRESIDENT** drew attention to draft decision IDB.18/L.15 concerning the number and duration of sessions of the Board and the PBC.

55. *The draft decision was adopted.*

56. **The PRESIDENT** drew attention to draft decision IDB.18/L.14, pointing out that the text still contained blank spaces concerning the dates for the regular sessions of the Board and PBC for 1998. The proposed dates agreed upon by the Bureau earlier in the day were 18-20 May 1998 for the nineteenth session of the Board, 9-11 September 1998 for the fourteenth session of the PBC, and 19-20 November 1998 for the twentieth session of the Board. If he heard no objections, he would take it that the Board wished to adopt the draft decision incorporating those dates.

57. *It was so decided.*

58. *The draft decision, as orally amended, was adopted.*

ADOPTION OF THE REPORT (IDB.18/L.12)

59. **Mr. TOOTOONCHIAN** (Islamic Republic of Iran), Rapporteur, introducing the draft report of the Board on its resumed eighteenth session (IDB.18/L.12), said that, owing to time constraints, the report was incomplete. The final report would, however, duly reflect the events of the session and the decisions adopted.

60. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the close of the session.

61. *It was so decided.*

62. **The PRESIDENT** announced that he was still in contact with representatives of the regional groups concerning the appointment of a new chairman of the intersessional working group on proposed amendments to the financial regulations and, once his consultations yielded positive results, he would communicate the information to Member States.

CLOSURE OF THE SESSION

63. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the past year had been difficult but had nevertheless brought important successes, in particular regarding the change in attitude of some major contributors which had earlier expressed doubts about the future of UNIDO and their continued membership in it.

64. During its current session, the Board had succeeded in adopting by consensus a new budget for the next biennium. The Ambassadors of Hungary, India, the Netherlands, the Sudan, Tunisia and the United Kingdom had all played a special part in that achievement, but Japan, the European Union, the Group of 77 and indeed all Member States also deserved gratitude for their continuing commitment to the Organization. He was pleased that Ambassador Benmoussa would be taking over the chairmanship of the inter-sessional discussion group on timely payment of assessed contributions, and wished him every success in that endeavour of especial importance for UNIDO and its new Director-General.

65. A difficult decision had been taken, thanks to Member States' determination to achieve a political compromise, on the possible financing of the staff separation programme, major elements of the decision being the importance of the payment of outstanding assessed contributions and the possibility of receiving voluntary contributions. Albeit a step in the right direction, that decision would need to be followed up by action on the part of Member States in order to provide the funding so urgently needed to swiftly implement the necessary separations and prevent the inevitable alternative, namely the high financial cost of over-incumbency, the psychological cost of continued uncertainty among the staff and, ultimately, the cost to UNIDO of the negative impact on substantive programmes, which would have to be even more drastically cut than envisaged at present if funding for separations were not forthcoming.

66. It was also a source of satisfaction that, thanks to the goodwill of Italy and the considerable interest expressed by other Member States, especially developing countries and economies in transition, a constructive solution had been found regarding the future of the International Centre for Science and High Technology on the basis of a tripartite arrangement between the Government of Italy, UNIDO and UNESCO, designed to ensure the necessary continuity and consolidation of the ICS programme in Trieste and the implementation of developing countries' ongoing and pipeline projects.

Valedictory statements

67. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, **Mr. MANNO** (Italy), **Mr. CELSO DE OURO PRETO**, speaking on behalf of the Group of 77 and the Latin American and Caribbean Group, and **Mr. TIWARI** (India) paid tribute to the many accomplishments of Ambassador Halim Mohamed of the Sudan, as displayed in the various capacities in which he had devoted his efforts for the benefit of UNIDO. His special blend of negotiating skill, intellectual prowess, moderation, wisdom and humour, epitomizing true diplomacy, would be greatly missed in Vienna but was sure to prove invaluable in his forthcoming role as Ambassador to Egypt.

68. **Mr. HALIM MOHAMED** (Sudan) thanked the previous speakers for their words of appreciation.

69. **The PRESIDENT** expressed his great appreciation of the work done by the Director-General over the past four and a half years.

70. When the Director-General had been appointed in 1993, few could have envisaged the great changes that were to take place during his term of office. The Director-General had taken on his tasks with enthusiasm and vitality, coping with restructuring, financial difficulties and withdrawals from the Organization. Beyond doubt, the Organization he was leaving behind was in a better state than the one he had inherited, its more streamlined structure, its revised priorities geared to the new realities, the improved performance indicators and the growing support of Member States all being attributable to the Director-General's efforts, as was the initiation of the reform process, which, it was hoped, would make the Organization even more capable and efficient. In all his endeavours, the Director-General had always been fully committed to serving the cause of developing countries, showing special sensitivity towards the least developed ones.

71. Thanks were also due to the Director-General for faithfully abiding by his promise to work for the benefit of the Organization to the last days of his office.

72. There had always been friendly and informal relations between the Director-General and the representatives of Member States. The Board cherished those memories and expressed its gratitude and best wishes to the Director-General in his future activities.

73. After the customary exchange of courtesies, **the PRESIDENT** declared the eighteenth session of the Industrial Development Board closed.

The meeting rose at 7.20 p.m.